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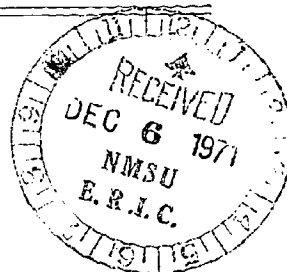
ABSTRACT

Testimony given at the U.S. Senate Committee on Government Operations hearings--held on April 27-28, 1971, in Washington D.C.--centered on bill S.10 which is designed to revitalize rural and other economically distressed areas by (1) establishing incentives for a more even and practical geographic distribution of industrial growth and activity and (2) developing manpower training programs to meet the needs of industry. The hearings focused on 3 primary areas: what rural policies and programs are presently operative; the implementation and degree of coordination taking place within the Government; and what legislative steps can be taken to speed up the process of rural revitalization, making it more lasting and effective while relieving population and industrial pressures on cities. Included in Part 1 are S.10; staff memorandum No. 92-1-13 (purpose, background, and previous hearings on S.10); Resolution H.C.R. No. 16 of the Arkansas State Legislature (endorsement of S.10); statements from 19 senators, consultants, and various state and Federal officials; and 8 exhibits (circulars, information from the Office of Management and Budget, 2 addresses on policy for rural and urban America, and a relevant newspaper article). (MJB)

REVITALIZATION OF RURAL AND OTHER ECONOMICALLY DISTRESSED AREAS

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HEARINGS BEFORE THE COMMITTEE ON GOVERNMENT OPERATIONS UNITED STATES SENATE NINETY-SECOND CONGRESS



FIRST SESSION

ON

S. 10

A BILL TO ESTABLISH A NATIONAL POLICY RELATIVE TO THE
REVITALIZATION OF RURAL AND OTHER ECONOMICALLY
DISTRESSED AREAS BY PROVIDING INCENTIVES FOR A MORE
EVEN AND PRACTICAL GEOGRAPHIC DISTRIBUTION OF INDUS-
TRIAL GROWTH AND ACTIVITY AND DEVELOPING MANPOWER
TRAINING PROGRAMS TO MEET THE NEEDS OF INDUSTRY,
AND FOR OTHER PURPOSES

PART 1

APRIL 27 AND 28, 1971



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REVITALIZATION OF RURAL AND OTHER ECONOMICALLY DISTRESSED AREAS

TUESDAY, APRIL 27, 1971

U.S. SENATE,
COMMITTEE ON GOVERNMENT OPERATIONS,
Washington, D.C.

The committee met, pursuant to notice, at 10:05 a.m., in room 3302, New Senate Office Building, Senator John L. McClellan (chairman) presiding.

Present: Senators McClellan, Allen, Chiles, and Percy.

Also present: James R. Calloway, chief counsel and staff director; Jay E. Gooselaw, assistant chief clerk; Thomas M. Gunn, and S. Arnold Smith, professional staff members, and Elly Hilz, secretary.

OPENING STATEMENT OF THE CHAIRMAN

This morning we begin our hearings on a subject of great concern to all of us—rural America. Hardly a day passes without someone—from the President on down—speaking on the subject of this multifaceted and complex national problem. Hardly a session of the Congress gets underway without a plethora of bills and resolutions being introduced in an attempt to alleviate the deteriorating economic conditions of rural life. Over 40 of these measures were proposed in the 91st Congress alone.

I am concerned—particularly since the riots of 1967—that the problems of rural America do not stand alone. They are intimately related to the problems of urban America. They are a significant factor behind the near-bankrupt and overly compacted conditions of our cities. They cannot be isolated or set apart from other pressing problems of society which face us today.

This fact becomes indelibly clear when we observe the statistics of migration within our country. Once a Nation 75 percent rural, we have become, 100 years later, a Nation 73 percent urban. More than 142 million people—70 percent of our population—now live on only 2 percent of our land. Since 1941 there has been a net migration from rural America of over 25 million persons, making it one of the largest movements of people in recorded history. Each year over 500,000 Americans from farms and rural communities migrate to big cities. Indeed, between 1960 and 1970, 43.5 percent of the Nation's 3,000 counties lost population.

But, if these figures stagger the imagination, think what will occur should present migratory trends persist. Experts are predicting that our population will reach 300 million by the year 2000—an increase

(1)

of around 100 million persons. Based on what has gone before, most of these people will be settled in five small geographical areas, with three-fifths of the population residing in four large megalopoli. When you pause to consider that 18 percent of all Americans—more than 36 million people—already live in a 450-mile strip between Boston and Washington, the full magnitude of our rural-urban difficulties becomes apparent.

This massive outmigration from towns and farm-yards to the big city has already had catastrophic effects at each end of the population distribution scale. Despite using up most of our productivity and lavishing most of our resources in treating the plagues of mammoth squalor and inhumanities of overcrowding, the billions spent thus far have done little towards advancing a cure. Our cities, insolvent and unmanageable, infected with pollution, garbage, ghettos, intolerance, crime, and just about every other social ill known to mankind, are barely staving off the last rites of total extinction. Even our peripheral suburbs—once an oasis of escape for man's greener instincts—have now become inexorably linked with the large metropolis and are themselves potential megalopolitan slums. The seams of urbana have burst, like the dreams of better tomorrows our rural migrants yearn to find there but seldom do.

Those left behind must endure even greater pain and suffering. For as bad as things had become before their sons and daughters left, this loss in human resources has compounded their problems. Hopes of diversifying the local economy and fostering a progressive community life have been muted into silence. Most who have remained are often worse off than before. Their chances of escaping from poverty; avoiding further deprivation or even easing their burden have been reduced. They have found it harder and harder to pay for and provide critically needed services—schools, health facilities, transportation systems, good sewage and water, and other infrastructure attractive enough to keep people in rural America or to lure jobs and opportunities there.

The effects of unchecked outmigration have been deleterious in other ways. Many political boundaries of villages and counties have been rendered obsolete. Some units now operate on too small a scale to be practicable. Their tax base has eroded as more able bodied wage earners have left for jobs elsewhere. Many of these areas shelter only the older, underskilled and undereducated. In consequence, the public services in the typical poor rural community are grossly inadequate in number, magnitude, and quality. Local government is no longer able to cope with local needs.

In all parts of rural America there are whole communities—even regions—that are depressed, bypassed by growth—poor. Twenty-seven percent of our rural people are impoverished—some 14 million Americans. Many of these people, caught in this swirl of economic growth and technological change, have borne the brunt of these forces but garnered few of the benefits. They have had no control over the winds of fortune buffeting them. For all practical purpose, the dramatic economic growth of the United States might as well never have happened in their lifetimes. It has brought them few rewards. They are on the outside looking in and they need our help.

The statistics of rurality—alarming and, for the most part, sad—plead the best case for its present grip upon our national conscience.

Over one-half of the Nation's substandard housing is located in rural areas—one out of every 13 rural houses being classified as unfit to live in.

In suburbia, one person in 15 is poor—in the cities, one person in eight—in rural areas, one out of every four.

Unemployment rates in rural areas are 2 to 3 times greater than in urban areas.

Rural farm children complete an average of 3 years less schooling than their urban counterparts.

Over 30,000 rural towns do not have any water systems—45,000 more lack adequate sewer facilities.

Twice as many people in rural areas per capita suffer from chronic health conditions. Twice as many per capita die from accidents due to lack of emergency services.

Although 27 percent of the Nation is rural, only 12 percent of our physicians, 18 percent of our nurses, 14 percent of our pharmacists and 8 percent of our pediatricians are available in rural areas.

I believe that we must launch a national program to stay and reverse the heavy flow of people who are migrating into our cities if we are ever to obliterate poverty, revitalize our countryside and provide opportunities for those tens of millions who will soon join us on this earth. I believe that the sprawling, haphazard and unmanageable urbanization of our country can only be halted by encouraging a reversal of migration trends through inducements to remain in rural areas. The Federal Government can and should do more to provide jobs, better economic opportunities and a more attractive, decent and healthful living environment in the less populated areas of our Nation.

During the latter part of the 91st Congress, I urged the President, in Senate Resolution 463, to adopt and implement a national policy which would encourage industry to decentralize and expand in rural areas, to help correct the present population imbalance between our congested metropolitan centers and our less populated lands. Thirty-eight Senators cosponsored that resolution, but because of the pressures of time the committee was unable to give in-depth consideration to the proposal.

On January 25 of this year, I introduced S. 10, a broader, more comprehensive version of that resolution. To date, 39 of my colleagues have joined me in cosponsoring this measure.

S. 10 transcends regional interest. Its true objective is to revitalize withering, rural economies while at the same time giving urban areas—especially our decaying and compacted inner cities—an opportunity to concentrate on their own programs of revitalization and restoration. It would set the metropolis free from over-aggravated burdens caused by the constant influx of people whose necessary demands cannot be met. It would treat the root causes of urban congestion rather than its symptoms. It would help to obliterate urban poverty by removing its rural causes.

S. 10 would establish national policy to deter present migration patterns and calls upon the administration to give Federal spending pref-

erences to areas with low population densities. It looks toward the revitalization of rural America, and an end to its economic distress, by encouraging industrial growth and activity, effective manpower training and development. It looks toward a healthier urban and rural environment, which will enhance the quality of life. It calls for substantive programs of action.

The adoption and implementation of a national policy to achieve these objectives would:

1. Ease the proliferating population growth in the main centers of pollution;
2. Relieve the major metropolitan areas of their growing pains and pressures; and
3. Afford an opportunity for prudent, orderly growth in rural areas for present and future generations.

S. 10 is not a panacea, but it could be the beginning—the first significant step forward—in an all out, massive, governmental effort to reverse what up to the present time has defied reversibility. S. 10 may not be a model bill. But it should serve us well as a vehicle for these hearings, which I hope, in turn, will provide the basis for the legislative changes that are needed to help resolve the critical problems of rural America.

The time to do something about urban-rural disparities is now. Our teeming, festering cities—our underdeveloped, impoverished, underpopulated towns cannot wait for additional drawing board solutions, advisory panel reports, commission recommendations, or campus research to come to their rescue. The subject of rural America—its problems and its needs—has already been studied to death. Our libraries are full of the results. However, they have not helped the predicament of rural America. At this point in history, we need action, not rhetoric or good intentions.

We have to change our traditional view of rural America—its function, its relation to the rest of the Nation, and the social and economic assistance required to assure a better life for rural people. Contrary to some beliefs, rural America is no longer farm America. In 1920 there were 32 million farm people—nearly a third of the total population. But mechanization changed all this. With its success at doing the job cheaper and faster, the exodus away from farming became one of the strongest currents in the migratory stream to the cities. Since midcentury, we have been losing 5 percent of our farm population each year. Today we have only 10 million people living on them. This is but 18.5 percent of our entire 54 million rural population.

The Federal Government must take the initiative in developing a rural policy which will incorporate all the industrial-technological realisms of our way of life to help create a balanced, ecologically healthy, and economically viable rural society. Government must serve the needs of the individual who is lobby-less. It must devise a policy—a program to provide jobs and opportunities for the people who now reside in rural America. Let us take the jobs to them instead of having them go to the overcrowded cities looking for jobs where too often none are to be found.

If jobs had been available in rural areas at prevailing wages, it has been estimated that \$10 billion per year would have been added to the

income and purchasing power of the people from these regions—\$2 billion per year to the tax receipts of the deficit-ridden Federal Government.

There are hundreds of Federal domestic aid programs, from highway to housing which can be used to provide the impetus and incentive for industry to expand in rural areas. Many of these are broadly drawn to apply across the spectrum of America; however, other programs were enacted specifically to aid rural areas, such as: rural renewal loans, economic development grants and loans; loans for business and development companies; advance land acquisition loans; water, sewer and public facility loans, mortgage insurance for developing whole new towns; airport development and manpower training programs. All of these statutes, plus Federal health and education projects, offer a variety of growth opportunities and are available to facilitate the development of our sparsely populated areas.

Undoubtedly some of our programs for rural America are inadequate and woefully out of date. These are relics from an earlier era—developed in a period during which the welfare of farm families was equated with the well being of rural communities and of all rural people. This is no longer so. We must recognize this fact and proceed to make the alterations necessary.

Unfortunately, also, many grants-in-aid are awarded pursuant to criteria spelled out in complex regulations which, focusing on technical factors, fail to make clear that airports, educational institutions, water supply facilities and other Federal programs can do more than just meet existing pressing problems; they can and should be used to create new growth opportunities in a coordinated effort. What appears to be lacking is a coordinating force, a policy, and a delivery system which can bring the tremendous potential and capability of our Federal programs together and give them direction and purpose in nonmetropolitan areas by focusing them on the goal of revitalizing rural communities.

In noting the compelling need to redirect and revamp many of our rural development programs, I do not wish to imply that past results have been all bad or denigrate the efforts of the thousands of conscientious men and women working in this field. I only underscore the facts, and the obvious implications stemming from them. We must look at the structure of Federal Government services to rural America and perhaps reshape them so that they are more effective, reach a broader geographic base and are connected with their urban counterparts. We spend billions of dollars each year on economic and social programs primarily aimed at making life in the city more tolerable. But unless we can, at the same time, bring about comparable improvements in our rural areas, we will have succeeded in creating additional incentives to migrate, and negate the very progress giant Federal expenditures were designed to achieve. President Nixon recently declared:

As never before, the Nation is beginning to see that urban America has a vital stake in the well being and progress of rural America. This is one Nation, and for the good of all Americans we need one national policy of balanced growth.

My own State of Arkansas, I am happy to say, is a splendid example of how Federal assistance can be utilized to combat the scourge of ru-

ral underdevelopment and outmigration. We have a long road yet to go, but the encouraging progress we have made over the past decade augurs well for Arkansas' future.

During the past 10 years, 46 counties, of the State's 75, increased in population, with Arkansas netting an overall gain of 7.7 percent. Through its partnership with the Federal Government, Arkansas has created many new jobs in rural areas where there were previously none or very few. For example, under the Economic Development Administration, 1,350 new jobs were added as a result of an \$839,500 grant to the Southwest Arkansas Water District to aid in the construction of a 5-county water distribution system. Some 1,500 new jobs are expected to result from the Pine Bluff waterfront industrial park, made possible by a \$1,206,000 EDA grant. Substantial employment gains are also resulting from Federal funding of Fort Smith's water and sewage expansion. Again, under EDA, Arkansas is developing its labor market through the Southwest Technical Institute, which is expected to train 2,000 skilled workers annually.

These achievements in my State are a testimonial to the vital role which the Federal Government can perform in helping rural communities regenerate life-sustaining commerce and regain the initiative over their own destinies. The Federal Government is a party to \$55 billion worth of procurement contracts annually and more than \$30 billion in grants-in-aid. Judging from the success we are beginning to have in Arkansas with just modest Federal outlays, this vast Federal spending could surely be allocated in better ways to accomplish rural revitalization in needy areas nationwide. In this regard, my feeling is reinforced by the 1972 budget which suggests that programs for rural America are being shortchanged. Although Federal aid funds soared from \$20 billion in 1969 to \$38 billion in 1972, rural America's share of this spending increase was only \$5 billion as compared with urban areas which received \$13 billion.

However, for rural development to be truly effective we will need more than soft loan programs. Government contracts bring large amounts of cash flow into depressed regions. But long-term profitability ultimately depends on unsubsidized programs in which local residents create an indigenous capital base to support rural development. In this regard, the Urban Growth and New Community Development Act of 1970, which provides financial assistance for the private development of new, economically sound rural communities, could play a considerable role in helping to achieve a more viable rural-urban balance and reverse established patterns of waste and deprivation. Perhaps, too, the Federal Government ought to give more attention to comprehensive land use planning and management policy and make better use of the 750 million acres of land which it owns. Sites for industrial parks, technical schools, and other business-related enterprises could be designed and equipped well in advance of their prospective tenancy. In this way, our rural development policies could become anticipatory and facilitate expansion into rural areas.

All of these possibilities and more will be explored during the course of our hearings on S. 10. In this regard, their timing could not be more propitious for the President has recently sent to Congress two major legislative proposals which would deal with rural America.

The first of these measures is a \$1.1 billion special revenue sharing package for "rural community development" which would dismantle eight agricultural grant programs and three broad development assistance programs. In their stead, States would be given funds directly from the Federal establishment so that they could spend according to their own plans and needs as determined by the State legislatures.

The President's department reorganization proposals would also directly affect the Federal Government's rural activities, as most of the major departments concerned in some way with rural America—such as Agriculture, Commerce, and HEW—would have some of their present functions shifted and consolidated into four newly created executive departments, namely: a Department of Community Development, Department of Human Resources, Department of Natural Resources, and Department of Economic Affairs.

Establishment of the Department of Community Development is premised on the interrelationship among rural, suburban, and urban problems and the need to strengthen the essential social and economic partnership between the farms, towns, and villages of rural America and our great metropolitan areas. The department would assist rural America to share in the Nation's affluence and growth, as well as coordinate programs for a livable and vibrant urban America. It would seek to counteract the adverse effects of rural outmigration and disorderly, costly, and undesirable development and land use.

Revenue sharing and Government reorganization will undoubtedly be given full airing by their appropriate committees. Certainly the latter will be thoroughly considered by this committee. However, our hearings on S. 10 will undoubtedly provide further insights into both proposals as we probe the substantive issues confronting rural life.

Our hearings will focus on three primary areas. First, we want to learn what rural policies and programs are presently operative. Second, we shall inquire into the implementation of these policies and programs; the nature and success of this implementation and the degree of coordination which takes place at the various levels of government. Third, we shall want to know what legislative steps can be taken to speed up the process of rural revitalization; to make it more lasting and effective, while, at the same time, relieving the population and industrial pressures on our cities.

Rural America is a vast and amorphous subject. We shall try, therefore, to stick closely to those areas where need and promise can be accommodated legislatively. An appreciation of the problem we face, getting through hodgepodge to the pertinent crux of our rural difficulties, is gained by merely attempting to establish a definition for "rural". There are at least two now in use and we may encounter more as we proceed. The U.S. census defines urban-rural as all persons living in places of 2,500 population or less or in open spaces, while many other Government agencies utilize the Standard Metropolitan Statistical Area guideline. These, so-called "SMSA's" contain at least one central city with 50,000 population or more. We may find neither definition suitable for our purposes.

Our witnesses for these hearings run the full gamut—from government, Federal, State, and local officials who plan, administer, and oversee our rural policies—from the public, scholars and others actually

engaged in rural development enterprise. All the cosponsors of S. 10 have also been invited to appear or submit a statement for the hearing record.

I hope that in the weeks ahead we shall be able to hold field hearings in various States across the country, so that the committee can observe first hand how our system of rural development is operating. Upon the completion of the field hearings, we would plan to hold additional hearings in Washington, so that all the appropriate governmental witnesses could be heard along with recognized experts on the subject who want to participate in and contribute to our efforts.

This week, in addition to S. 10's cosponsors, we shall hear from representatives from the Office of Management and Budget and Department of Defense; representatives from State and district levels of rural administration; a Bureau of the Census demographic expert; a scholar on rural America and a rural development consultant.

I appreciate the presence of some of my colleagues on the committee this morning.

Senator Allen, do you have a statement?

**STATEMENT OF HON. JAMES B. ALLEN, U.S. SENATOR FROM
THE STATE OF ALABAMA**

Senator ALLEN. Yes, Mr. Chairman, I have a short opening statement I would like to read into the record.

To my way of thinking, we are today opening hearings on one of the most important issues before the Congress, an issue that could spell the difference between success or failure in our struggle to preserve our American way of life.

Behind the headlines, behind the news of our struggle against communism and behind the news of congressional committees, this committee will be quietly and resolutely moving to strengthen one of the most vital of all of our blessings, the heritage of rural America. As we know, nearly 70 percent of the Nation's people are presently packed onto only 2 percent of the Nation's land. Only 10 million people currently live on U.S. farms. Of the Nation's 435 congressional districts, only 35 have a farm population of more than 25 percent and 21 States do not have a single district in which systems 15 percent of the people are farm people. Behind these statistics, Mr. Chairman, are scattered families, depleted small cities and towns, teeming suburban areas, and overcrowded city ghettos. All of this is to say that rural development also has a special meaning for nonrural residents. It means that if we are to help solve the problem of the cities, we must create a new rural environment which will not only curb the migration to the urban areas, but reverse it.

To do this, we are going to have to create more job opportunities in rural areas; we are going to have to have decentralization of industry in this country on a voluntary basis; we are going to have to see some measure of decentralization of the Federal Government and the location of Federal bureaus and agencies and offices in the rural areas of this country.

I think, too, we are going to have to have some degree or measure of encouragement to industry to locate in as sparsely settled areas of

the country, possibly by a fast writeoff, accelerated depreciation, in plant and equipment located in rural areas. I feel that this is one possibility that we might find interesting. But we do need to create job opportunities in the rural areas.

As these hearings unfold, I am confident that it will become abundantly clear how much our national goals in the decade of the seventies involve farms and our smaller cities and towns. The residents of rural America will never enjoy the prosperity to which they are entitled until there is more industry in our smaller cities, towns, villages, and communities and until there is a better balance between agriculture and industry in these areas.

From these hearings, we shall, I know, determine the means by which to recommend the fostering of economic growth and to enhance the well-being of the people of rural America—means such as better schools, better hospital and health care facilities, better water and sewage treatment work, better recreational opportunities, and better farm commodity programs.

I feel that this decline in the weight of the rural areas in our Congress has resulted in a reduction in the farm program. I feel that the rural areas do not have as much political clout as they used to have and I feel that too much emphasis, too much attention is being shown and given by the National Government to the problems of the cities without realizing that if we solve some of the problems of the rural areas, if we encourage an outmigration from the big cities to the rural areas, it would stop the migration from the rural areas to the big cities, and that we will thereby cure some of the problems of the big cities.

In addition, I would also hope that these hearings would show the necessity for centralizing the functions of the Federal Government. An outstanding example of regional government is the great Tennessee Valley Authority. I would hope this committee would take a close look at the achievements of TVA. It is a prime example of the people working hand-in-hand with our Government, with an absolute minimum of control and interference from Washington. We must continue our endeavor to improve the quality of life in our urban areas, but as we do this, let us remember that rural America is the mulsill of our national life. These hearings will set the stage for Congress to play its part in the development of rural America. I am proud and honored to serve on this committee and look forward to the hearings here in Washington and in the field.

I feel that we have a great challenge in the Congress to help solve not only the problems of the urban areas, but of the rural areas as well.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Allen. I failed to note previously that nine members of this committee are cosponsoring this legislation.

Senator Chiles?

STATEMENT OF HON. LAWTON CHILES, U.S. SENATOR FROM THE STATE OF FLORIDA

Senator CHILES. Mr. Chairman, the bill before us now for consideration, S. 10, is a plain-speaking document, I think. In order to illustrate what I mean, I refer to the President's task force on rural de-

velopment. This task force, in March of 1970, issued a report setting down the criteria that should be met if Government is to be successful in developing rural America. The report is a 42-page document and on page 20 is a statement, "Job creation is at the heart of rural development." This statement, which is an acknowledgment by the executive branch that they recognize where the real problem is, is buried in their report amid words of a hundred other related subjects. S. 10, at its beginning is the acknowledgment that, and I quote again:

The location and expansion of industries in the major metropolitan centers of the Nation continue to attract more people to these highly congested areas, thus further aggravating and intensifying these unwholesome conditions; and the population in one out of every three counties in the U.S. decrease during the past decade because industries expanded in already overcrowded congested population centers thus denying equal opportunities for economic advancement in the less-populated communities of our Nation.

This is plain language. It places the statement included in the President's report from a position of obscurity and puts it front row center. S. 10 says that when you take away jobs in rural America, you are killing that segment of our country. Most of the ills of rural America are wrapped around this single fact, that without adequate work, there is no way to keep people from migrating to the cities.

We must stop the migration. A headline on the front page of the April 22, 1971, New York Times reads: "11 Mayors Warn Here of Collapse of U.S. Cities." There is a saying that today's cities, with their great cultural advances, wealth, educational opportunities, and huge commercial industries and businesses are monuments to man's progress. There is another way of looking at this situation. Today's rural America, with its complexion that forces people to move to the populated areas, its lack of wealth, its lack of educational opportunities, its lack of cultural advantages, is also a monument to man's progress. Progress as we know, gentlemen, can take a toll both ways. In this particular instance, rural America is the scapegoat and the large cities are also the scapegoats.

Ever since the Roosevelt days, this Nation has awakened to the fact that rural America has problems. But now I am not so sure if our approach has always been the best. We have in existence at the present time more than 180 individual Federal programs aimed at solving the problems of rural America. But the migration continues and the problems remain. We have programs covering the subject areas of electricity, water and sewer, medical assistance, education, manpower, housing, small business, and food assistance, and probably a dozen or so more. We touch on the idea that finding new jobs in rural America is the cornerstone of real progress, but we do not follow through.

This Congress is now investigating the problems of rural America. The only really important fact to remember is simply that as our farms become more economical to operate, more mechanized, they offer fewer jobs to people. Those individuals left out begin to look around and see that there just is not work to be had, so they head for the city. Rural businesses wake up to the fact that fewer people are coming to their stores to do business, so they close up and even more jobs are eliminated. As transportation improves, farmers put an even greater burden on rural businessmen by going to the cities to purchase their goods. We must strive, as S. 10 states, for a more even and practical

geographical distribution of industrial growth and activity to reduce the continued concentration of industry to the heavily populated sections of our country.

S. 10 puts it on the line. It goes directly to the center of rural American problems. That is why I have added my name, too, as one of the cosponsors of this legislation and I urge the committee to act favorably on it.

Mr. Chairman, also, I found that in my campaign, I had an opportunity to travel across the panhandle of my county in Florida. It is an area that very few people ever see. They see it perhaps from the road as they ride across it, but it is an area that has some of the most beautiful land in my State. It has some of the most wonderful people. But I found every day, when I walked across that area, that some of the young people would say that they had to leave that area because there was no work, and especially the young men. They wanted to live in that area. They loved the land, they loved that area of the State, but there was just no way they could stay. And they would ask me every day why would it not be possible that there would be some jobs there so that they would be able to stay in the area that they liked?

The other observation I want to make, Mr. Chairman, is that I recently had opportunity to attend an agricultural conference in Mexico, a conference of the agricultural attachés—our attachés—of all the Latin American countries. The most pressing problem of Latin America is this same problem. It is compounded probably in those countries even more so. The great slum areas of each of those countries is a belt that is building around the cities, because all the rural folks are coming to the cities. And, certainly, if we could work and solve this problem in this country, that would be a pathway and a guidestone to how they could handle this problem in the Latin American countries and would be better than any program of aid that we could give them. I think it would be the best alliance for progress that we could possibly give to the Latin American countries.

The CHAIRMAN. Thank you very much, Senator Chiles. That is a very interesting observation you have just made.

Senator Percy?

STATEMENT OF HON. CHARLES H. PERCY, U.S. SENATOR FROM THE STATE OF ILLINOIS

Senator Percy. Mr. Chairman, I am very pleased that these hearings are about to get underway. I wish to list myself as a cosponsor of S. 10. I think it is urgently needed. We have had a great deal of attention paid to the development of our cities to make them more livable. I think this is not inconsistent with that.

One of the great problems of our urban life today is the fact that this is the only place you can get a job. As we renew our rural areas, as we automate our agriculture, we are leaving empty land there, we are leaving smaller towns that need development, that have no source of income now to adequately maintain a school system and support its community services.

I have just come from a village called Elk Grove Village, just outside of Chicago. They now have 550 different industries and the popu-

lation has increased in that one village 500 percent in the last 10 years and it has nothing but a projection upward. All of those people go into the same traffic patterns, cause the same congestion, and really are not providing income to the city of Chicago, but are drawing from the city. So that even though I like to see industry develop in my State, I would much prefer to see it develop where we really need it in southern Illinois, in our rural communities. It is for this reason that I enthusiastically support this bill and I commend the chairman and the staff that has worked on this bill in putting together these hearings and organizing them. The extremely interesting and able roster of witnesses that has been scheduled today offers a unique opportunity to see how the Federal administrative structure really works, to see how the programs that Congress enacts reach down to the people, particularly in rural areas, and see how this elaborate delivery mechanism can be improved.

A very valuable aspect of this morning's discussion is how the Federal Government can organize its relationships with State and local governments so that the many layers of government work in harmony and with a single purpose, rather than, as is so often the case, at cross purposes or duly in disharmony.

I am particularly interested in the emphasis on rural development and revitalization. As has been demonstrated, our rural areas are continually losing strength and because of declining economic activity in rural America, many of our citizens are forced to move to urban America, where community facilities are already overburdened and beset by exceptionally complex problems. We must first explore the causes of rural economic stagnation, then devise the programs to revitalize these areas. This is an important and urgent purpose which I wholeheartedly support.

One other aspect of my interest in these and future hearings on S. 10, Mr. Chairman, is to see how they actually relate to the work of the Hoover Commission, the Heinemann Commission, the Ash Commission, the commissions that have been carried on under three or four Presidents of the United States for reorganizing the Government. And I do feel that the recommendations that have been made by this President and have been made by previous Presidents for reorganization of our administrative structure can be tested now against the actual testimony that we will bring forward as to why this alarming trend in our country, where we are concentrating and condensing all of our working experience in such a small part of the country when we are leaving vast areas which are far more pleasant for life uninhabited or sparsely populated. I think we are going to find that there are close relationships between the purpose of S. 10 and the proposal to create, for instance, a department of community development and, in general, the efforts to upgrade the whole range of Government services in our agriculture and other rural communities that are contained in the four executive reorganization bills.

Mr. Chairman, I will attend as much of the hearing as I can. We have, simultaneously, the Special Committee on Aging dealing with the problems of 20 million senior citizens who are among the most neglected minority group in this country, and I will have to excuse myself. But I commend you for your leadership in putting together what

I think will be remarkable hearings. What I do not hear personally, I will study very carefully.

The CHAIRMAN. Thank you very much, Senator Percy. The Chair wishes to express its appreciation to all members of the committee, particularly those of you who are present today, for the interest you have evidenced in this proposed legislation and for the cooperation and support you are giving to S. 10.

In order that the intent of S. 10 can be placed in proper perspective I would like to make an additional statement. The purpose of this bill is not an attack on metropolitan centers of this country. It is not intended to do any harm to them. Rather, we seek to alleviate their distressed condition by having industries expand in rural areas and provide jobs there so that these people will not have to go to the cities—already overcrowded—to seek such employment.

We are not going to rush these hearings; we are going into this matter thoroughly and will be seeking counsel and the viewpoint from the best minds in this country. Our hearings on S. 10 are particularly important now in light of anticipated population increases projected over the next 30 years. Are we going to make conditions worse that are already bad or are we going to alleviate those conditions and make things better in areas where improvement is desperately needed?

Senator PERCY. Mr. Chairman, could I add one further thing? We have a very important member of the Rules Committee here this morning as a member of our committee, Senator Allen. I would like to say that I do not know a piece of legislation that lends itself better to field hearings. I think we ought to go out to these communities and not have to have them all come to Washington. But I think we ought to go to them. Because I think when we go there, we ought not to just hear witnesses, but actually we ought to visit the closed retail stores, we ought to visit the schools, we ought to visit the community facilities, talk to the mayors, and literally see ourselves what this tremendous concentration of population moving into the urban areas has done.

What disturbs me the most is that when we build marvelous universities, as Southern Illinois University is in southern Illinois, I will bet 95 percent of those students, when they are graduated and trained, paid for by the taxpayers of Illinois, go to Pittsburgh, Detroit, Los Angeles, Chicago, or St. Louis, to find their jobs, leaving their homes. The leadership that has been trained for the future leave the communities. And they find great commitment in going into the Peace Corps to Afghanistan, when I would find a lot more commitment if they could stay right there in southern Illinois and help build our communities and this economic progress. Not detracting at all from what the Peace Corps is doing, but I think we need that same revitalization. I think by the Senate going to the rural communities in America, this could commit them and the modest request made of the Rules Committee, I think we will get a return of a thousand-fold from.

There are some questions not answered in the legislation and I am sure the chairman will want to improve and be receptive to suggestions. How do we, for instance, defend a population of low concentration? How are preferences in Federal contracting to be administered? What relationship does this have to competitive being? We all want to buy

at the best price, but also, we can use the social purpose of huge Federal contracts to do something and it is perfectly consistent with our purposes.

I think there are a number of other problems—the Federal grant-in-aid programs that could be directed in favor of rural development, the extent of those. But that is the purpose of these hearings, and I know we all approach it with an open mind and we are anxious to have whatever improvements can be introduced in this legislation. I think we have a wonderful foundation in this bill.

The CHAIRMAN. Thank you very much, Senator Percy.

Senator Allen, I expect to appear before the Rules Committee tomorrow.

Senator Percy, I want you to be there, too, if you can arrange your schedule, to have me present this resolution.

But should Senator Percy for any reason not be there, I hope you will remember and tell your colleagues on the committee about his enthusiastic support of this resolution.

Senator ALLEN. I am sure we will listen to the request with a most sympathetic ear.

The CHAIRMAN. Thank you very much.

Now, I believe it will be appropriate at this point in the record to insert a copy of S. 10 along with a staff memorandum analyzing the bill. Without objection they will be placed in the record at this point.

(A copy of S. 10 and the memorandum referred to follow:)

A BILL To establish a national policy relative to the revitalization of rural and other economically distressed areas by providing incentives for a more even and practical geographic distribution of industrial growth and activity and developing manpower training programs to meet the needs of industry, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Congress finds that—

(a) seventy per centum of the American people live on only 1 per centum of the land of the United States and this high concentration of population results in increased pollution, critical problems of housing and transportation, unhealthy living conditions, and increased crime;

(b) the location and expansion of industries in the major metropolitan centers of the Nation continue to attract more people to these highly congested areas, thus further aggravating and intensifying these unwholesome conditions;

(c) the population of one of every three counties in the United States decreased during the past decade because industries expanded in already overcrowded and congested population centers thus denying equal opportunities for economic advancement in the less populated communities of our Nation;

(d) a more balanced distribution of our population and economic opportunities is needed to accommodate the anticipated population increase of more than one hundred million persons in the United States over the next half century; and

(e) a more even and practical geographical distribution of industrial growth and activity would reduce the continued concentration of industry and would stimulate the growth and development of less heavily populated sections of our country with a view toward providing a more diversified and better balanced distribution of our inhabitants, and facilitating the restoration and protection of the quality of our environment, thus enhancing and enriching the lives of all Americans.

NATIONAL POLICY

SEC. 2. (a) The Congress declares that it shall be the national policy of the United States to encourage the distribution of future industrial growth, and its attendant expansion more evenly throughout the United States.

(b) In implementing this policy, all departments and agencies in the executive branch of the Government shall give preference, to the maximum extent practicable, to those areas which have a low concentration of population and industry, in—

(1) awarding Federal contracts for the purchase of equipment, goods, or services for use by any department or agency of the Federal Government to business and industry which will locate or relocate in such areas; and

(2) administering or implementing new and existing Government programs, particularly the multibillion-dollar Federal grant-in-aid programs.

(c) In further implementation of said national policy, all departments and agencies in the executive branch of the Government having responsibility for the development and administration of manpower training programs, financed in whole or in part by the Federal Government, shall take immediate steps to—

(1) direct or redirect such programs with a view toward providing a work force of the size, composition, and quality to meet the manpower requirements of business and industry locating or relocating in areas having a low concentration of population and industry; and

(2) to insure, to the extent practicable, that such programs are designed to increase employment opportunities for those who are unable to obtain or maintain suitable employment and will serve to improve the economy by increasing productivity and facilitating the movement of the work force to the job.

DISSEMINATION OF POLICY

SEC. 3. The President shall issue appropriate directives to all departments, agencies, and independent establishments in the executive branch of the Government of the United States, embodying the national policy set forth in section 2 of this Act, and shall require such departments, agencies, and independent establishments to comply therewith, to the maximum extent that compliance is practicable and feasible.

AGENCY REVIEW

SEC. 4. (a) Each department, agency, and independent establishment of the executive branch of the Government of the United States which is engaged in any activities or programs involving, or related to, those activities specified in subsections (b) and (c) of section 2 of this Act shall, immediately following the effective date thereof, conduct a comprehensive review and analysis of all such activities in which it is engaged.

(b) Not later than one hundred and twenty days following the effective date of this Act, each such department, agency, and independent establishment shall file with the Comptroller General of the United States, in such form as he shall prescribe, a comprehensive report with respect to all such activities, accompanied by specific recommendations concerning the most effective means by which such programs and activities may be directed or redirected in compliance with the national policy set forth in section 2 of this Act.

(c) Following the submission of the initial report and recommendations required by subsection (b) of this section, each such department, agency, and independent establishment shall make a continuing survey of the type required by subsection (a) of this section and report to the Comptroller General with respect to findings and recommendations at such times as the Comptroller General may designate.

ESTABLISHMENT OF BOARD

SEC. 5. (a) The Comptroller General of the United States is authorized and directed to establish in General Accounting Office a Board for the Revitalization of Rural and Economically Distressed Areas (in this Act referred to as the "Board"). The Board shall be composed of three officers of the General Accounting Office who shall be designated by the Comptroller General from among senior officers who are knowledgeable and experienced with respect to the subject matter of the national policy set forth in section 2 of this Act. Officers of the General Accounting Office who are so designated shall, to the maximum extent practicable, be relieved of all other duties.

(b) The Comptroller General shall make available to the Board, from available resources of the General Accounting Office, such professional and clerical assistance as may be necessary to enable it to carry out its functions and duties.

(c) There is authorized to be appropriated to the General Accounting Office such sum, or sums as may be necessary to enable the Comptroller General to carry out the provisions of this Act.

DUTIES OF THE BOARD

SEC. 6. (a) The Board shall study and evaluate the reports and recommendations filed with the Comptroller General pursuant to section 4(b) of this Act, as well as all other pertinent materials, in order to determine whether the departments, agencies, and independent establishments are complying with the national policy set forth in section 2 thereof and the requirements set forth in section 4 thereof.

(b) The Comptroller General shall report to the Congress, from time to time, with respect to the progress made by departments, agencies, and independent establishments of the executive branch in complying with the national policy set forth in section 2 of this Act, and shall transmit to the Congress an annual report with respect thereto at the close of each fiscal year.

GOVERNMENT DEPARTMENTS AND AGENCIES DIRECTED TO FURNISH INFORMATION

SEC. 7. Subject to the requirements of national security, any department, agency, or independent establishment of the executive branch of the Government which is requested by the Comptroller General to furnish information, documents, or other pertinent materials to the Board is hereby authorized and directed to comply with all such requests. Failure to furnish information so requested shall be reported to the Congress at the earliest practicable time.

SENATE COMMITTEE ON GOVERNMENT OPERATIONS

Staff Memorandum No. 92-1-13, April 21, 1971

Subject: S. 10—to establish a national policy to revitalize rural and other economically distressed areas by providing incentives for a more even and practical geographic distribution of industrial growth and activity and developing manpower training programs to meet the needs of industry

S. 10 was introduced by Senator John L. McClellan, Chairman of the Senate Committee on Government Operations, on January 25, 1971. To date the bill has (39) cosponsors. This is a more substantive version of S. Res. 463, introduced by Senator McClellan in the last Congress and cosponsored by 38 Senators.

PURPOSE

This bill would establish a national policy to revitalize rural and other economically distressed areas by providing incentives for new industries to locate and existing ones to expand into those regions.

To implement this policy, all departments and agencies would be required to give preference, to the maximum extent practicable, to those areas which have a low concentration of population and industry in—

(1) awarding Federal contracts for the purchase of equipment, goods, or services for use by any department or agency of the Federal Government to business and industry which will locate or relocate in such areas; and

(2) administering or implementing new and existing Government programs, particularly the multibillion dollar Federal grant-in-aid programs.

To further implement this policy, all departments and agencies having responsibility for the development and administration of manpower training programs, financed in whole or part by the Federal Government would be required to take immediate steps to—

(1) direct or redirect such programs with a view toward providing a work force of the size, composition and quality to meet the manpower requirements of business and industry locating or relocating in areas having a low concentration of population and industry; and

(2) to insure, to the extent practicable, that such programs are designed to increase employment opportunities for those who are unable to obtain or maintain suitable employment and will serve to improve the economy by increasing productivity and facilitate the movement of the work force to the job.

In addition, each department or agency which is presently engaged in activities or programs relating to this policy will be required to conduct a comprehensive review and analysis of their activities and report thereon to the Comptroller General. To oversee the progress made by the various departments and agencies,

the bill creates in the General Accounting Office a Board for the Revitalization of Rural and Economically-Distressed Areas. The Board would be composed of 3 officers from the General Accounting Office who are knowledgeable and experienced with respect to the subject matter of this national policy. The Board would have the specific duty to evaluate the reports and recommendations filed with the Comptroller General by the various agencies. The Comptroller General would be required to report annually to the Congress with respect to the progress being made.

According to Senator McClellan, the adoption and implementation of the provisions of S. 10 would achieve these major objectives:

1. Ease the proliferating population growth in the main centers of pollution;
2. Relieve the major metropolitan areas of their growing pains and pressures; and
3. Afford an opportunity for prudent, orderly growth in rural areas for present and future generations.

BACKGROUND

Senator John L. McClellan, in introducing S. 10, said that for some time he had been convinced that: "... the initial step necessary to solve the critical problems of our highly congested cities and to develop rural America, was to launch a national program to stay and reverse the heavy flow of people migrating from our rural areas to our major metropolitan areas."

The Chairman of the Committee has suggested that the Government can and should take the lead in this endeavor by using its many existing Federal programs to facilitate industry's move into the countryside and has previously stated:

"There are almost 600 Federal domestic aid programs now carried out by 47 departments and agencies. Many of these are broadly drawn to apply across the spectrum of America; however, other programs were enacted specifically to aid rural areas. For example, we have rural renewal loans; economic development grants and loans; loans for business and development companies; advance land acquisition laws; water, sewer, and public facility loans. Mortgage insurance for developing whole new towns; airport development programs; regional economic development commissions—which offer a variety of growth opportunities—a series of manpower training and development programs and a multitude of planning assistance programs are already on the statute books. All of these, plus Federal health and education projects are available to facilitate the development of our sparsely populated regions of the country."

Also, according to Senator McClellan, the possibility of redirecting some of the \$55 billion annual government procurement contracts, and using more of our \$30.2 billion grant-in-aid programs to develop our open spaces should be explored.

Other concepts to promote better balanced economic and population growth includes the use of tax incentives to induce industry to locate new plants and to provide new jobs in our rural communities, and the utilization of some of the 750 million acre Federal land holdings to provide industrial sites for these new industries.

General statistics illustrating the tremendous disparity between urban and rural America underscore the Chairman's concern over rural development.

Over one-half of the nation's substandard housing is located in rural areas—one out of every 13 rural houses being classified as unfit to live in.

In suburbia, one person in 15 is poor—in the cities, one person in 8—in rural areas, one of every 4.

Unemployment rates in rural areas are 2 to 3 times greater than in urban areas.

Rural farm children complete an average of 3 years less schooling than their urban counterparts.

Over 30,000 rural towns do not have any water systems—45,000 more lack adequate sewer facilities.

Twice as many people in rural areas per capita suffer from chronic health conditions. Twice as many per capita die from accidents due to lack of emergency services.

Although 27% of the nation is rural, only 12% of our physicians and 8% of our pediatricians are available in rural areas.

The 1970 Bureau of Census statistics show that 43.5% of all American counties lost population between 1960 and 1970. This figure, coupled with the estimation that 100 million people will be added to our population within the next half century, demonstrates the urgent need to curtail massive out-migration and affirmatively develop our less populated regions of the country. To this end, S. 10 would establish a national policy to encourage industry to decentralize and expand as much as possible in rural areas. Only by developing these sparsely populated areas, by providing jobs, opportunities, and educational facilities, can the present growth trend be reversed.

Over the years there has been sporadic legislative efforts to develop our rural areas. There were over 40 bills introduced in the 91st Congress dealing with rural unemployment, rural growth and development and rural migration. This concern of legislators in both houses has continued into the 92nd Congress and already numerous bills have been introduced and referred to a variety of committees.

A concrete manifestation of this concern was the enactment of Section 901(e) of the Agricultural Act of 1970 requiring the President to report on federal programs directed to rural America. The President's first report indicated that there are 160 major federal programs emanating from 9 departments and agencies dealing with this subject. A review of this report illustrates the pressing need for an analytical inquiry of our present policies and programs toward our economically depressed regions.

Also, on March 10, 1971 the President sent to Congress his Special Revenue Sharing Proposal for Rural Community Development. Under this plan eight agricultural grant programs and three broad development assistance programs (Economic Development Administration, Appalachian and Title V Regional Commissions) would be dismantled. In their stead, States would be given funds directly from the Federal government to spend according to their own plans and needs as determined by the State legislature. Of the \$1.1 billion allocated for this revenue sharing program during its first year, only \$179 million would be new money.

In March, 1971 the President also sent to Congress his plan for the reorganization of seven executive departments and several independent agencies. This proposal would directly affect the Federal government's rural development activities, as most of the major departments concerned in some way with rural America—such as Agriculture, Commerce and HEW—would have their present functions shifted and consolidated into four newly created departments; namely: a Department of Community Development, Department of Human Resources, Department of Natural Resources and Department of Economic Affairs.

Establishment of the Department of Community Development is premised on the interrelationship among rural, suburban and urban problems and the need to strengthen the essential social and economic partnership between the farms, towns and villages of rural America and our great metropolitan areas. The Department would assist rural America to share in the nation's affluence and growth, as well as coordinate programs for a liveable and vibrant urban America. It would seek to counteract the adverse effects of rural outmigration and disorderly, costly and undesirable development and land use.

The Chairman has announced that thorough hearings will be held on the President's reorganization bills, but it is expected that hearings on S. 10 will also touch on these issues.

HEARINGS

Hearings on S. 10 have been scheduled on April 27 and April 28, 1971 in Washington, D.C. During these initial hearings, the Committee will hear testimony relevant to the nature of our present system of rural development and the degree of coordination that takes place at the various levels of Government.

It is intended that subsequent hearings will develop a comprehensive and analytical picture of our present rural development programs—their policies, delivery systems, implementation and impact. From this it is anticipated that alternative policies, structures, and programs will be suggested to make government more responsive to the needs of our economically depressed areas.

All the cosponsors to this bill have been invited to appear for testimony or make a statement available for the hearing record. The additional witnesses contemplated for the April 27 and 28 hearing will be a representative from the Office of Management and Budget, as well as representatives from a State and

district level of rural administration. Testimony is also anticipated from a witness discussing the general economic and social disparities between urban and rural America. In an effort to obtain non-governmental attitudes regarding our present rural development system, a consultant on rural development will discuss the obstacles in finding and obtaining federally appropriated funds for development purposes.

The Chairman is considering holding further hearings in various sections of the country, where information from both the public and private sector will be received. Following this, Washington hearings to receive further information from the Administration are contemplated.

THOMAS M. GUNN,
Professional Staff Member.

Approved:

JAMES R. CALLOWAY,
Chief Counsel and Staff Director.

The CHAIRMAN. I would also like to place in the record at this point a resolution passed by the State Legislature of Arkansas endorsing this legislation.

(The resolution referred to follows:)

H.C.R. No. 16

(J. Miller)

Urging the Congress of the United States to Pass S. 10 Which Would Promote the Revitalization of Rural Areas by Providing Incentives for More Even and Practical Geographic Distribution of Industrial Growth.

WHEREAS, S. 10, introduced by Senator John L. McClellan and thirty-three co-sponsors in the First Session of the 92nd Congress of the United States, would establish a national policy relative to the revitalization of rural and other economically distressed areas by providing incentives for a more even and practical distribution of industrial growth and activity, and developing manpower training programs to meet the needs of industries; and

WHEREAS, S. 10 recognizes that seventy percent of the American people live on only one per centum of the land of the United States and that this high concentration of population results in increased pollution, critical problems of housing and transportation, and unhealthy living conditions, and increased crime; and

WHEREAS, these conditions are aggravated and intensified by the location and expansion of industries in major metropolitan centers of the nation which continue to attract more people to these highly congested areas; and

WHEREAS, a more balanced distribution of the nation's population and economic expansion is needed to accommodate the anticipated population increase of more than one hundred million persons in the United States over the next half century; and

WHEREAS, S. 10 recognizes that a more even and practical distribution of industrial growth and activity is needed to reduce the continued concentration of industry and to stimulate the growth and development of less heavily populated rural country with a view toward providing a more diversified and better balanced distribution of our inhabitants, and facilitating the restoration and protection of the quality of our environment, thus enhancing and enriching the lives of all Americans; and

WHEREAS, S. 10 would establish a national policy whereby government would take the lead in offering inducements and encouragements for the location of business and industry in the more sparsely populated areas of the country, thereby reducing the monstrous problems facing the nation through continued growth of large metropolitan areas, and effectuating an orderly growth in the nation and its economy by the distribution of industrial activity throughout the country in areas in which planning and development of industrial growth can alleviate the congestion and related problems now facing large metropolitan areas; and

WHEREAS, the national policy as declared in S. 10 would especially benefit the State of Arkansas which has an abundance of undeveloped land and resources and whose people would be given improved opportunities to share in the increased economical growth of this nation, NOW, THEREFORE *Be It*

Resolved by the House of Representatives of the Sixty-Eighth General Assembly of the State of Arkansas, the Senate Concurring Therein:

That Senator John L. McClellan and the thirty-three Senators co-sponsoring S. 10 of the First Session of the 92d Congress are hereby commended for their leadership and efforts in promoting the development of a national policy to bring about revitalization of economically distressed areas, thereby assisting in alleviating major problems facing the congested areas of this country.

BE IT FURTHER RESOLVED that all members of the Arkansas Congressional Delegation and each member of the Congress, and the President of the United States are urged to support the bold and visionary goals of S. 10 which would enable all of the citizens of this country to have opportunities to share in the future growth and expansion of industry and business activity.

BE IT FURTHER RESOLVED that a copy of this Resolution shall be furnished to each member of the Arkansas Congressional Delegation, to the Speaker of the House of Representatives and to the President of the Senate of the Congress of the United States and to the President of the United States.

The CHAIRMAN. I also wish to advise that other Senators—Senator Jackson, Senator Hollings, Senator Pearson, and Senator Stennis—all of whom are cosponsors of this bill, had expected or hoped to be present this morning to make statements. Since they could not be here, they have sent statements to be inserted in the record. I will let those be placed in the record at this point.

(The statements referred to follow:)

STATEMENT OF HON. HENRY M. JACKSON, U.S. SENATOR FROM THE STATE OF WASHINGTON

Mr. Chairman, it is a pleasure to serve as a cosponsor of S. 10, a bill to revitalize our rural and other economically distressed areas. In your opening statement, you have set forth the critical need for a coordinated effort to bring new life and new opportunities to those who live in our rural communities.

This country has ignored for too long the major proportions that outmigration from rural communities has attained. Today we are coming to recognize that the social problems generated by the rural to urban shift requires a Federal response.

The goals of a great many existing Federal programs which are well-staffed and adequately funded are basically—though this is often not explicitly recognized—to improve the quality of rural life and to create new rural employment and economic opportunities. Among these are the Corps of Engineers rivers and harbors program, the reclamation program, HUD programs for airports and sewer facilities, and agricultural programs which provide assistance in the form of loans and advice. Unfortunately, the goal and the total concept of revitalizing rural communities has often been lost in the day-to-day, mission oriented administration of these separate programs. As a result, an agency such as the Corps of Engineers will build a flood control reservoir without recognizing and without maximizing the possibilities for linking a reservoir with an industrial plant and facilities to provide an energy base—an economic growth base—for domestic and industrial use.

In addition, most agencies lack legislative authority to award contracts and grants-in-aid to attain the desired goal. Grants-in-aid are awarded pursuant to criteria set down in complex regulations which focus on technical factors, but fail to make clear that airports, educa-

tional institutions, water supply facilities and other Federal programs can and should be used to create new growth opportunities in rural communities.

What is lacking at the Federal level is a coordinating force, a policy, and a delivery system which can bring the tremendous potential and capability of these separate Federal programs together and direct them toward the goal of rural revitalization.

S. 10 will provide this coordinating force by establishing a Board for the Revitalization of Rural and Economically Distressed Areas. Guided by a National Policy to encourage a more balanced distribution of population and economic opportunity, the Board will review reports and recommendations of the various departments, agencies and independent concerns to determine whether or not their actions are compatible with the stated objectives of this act.

Mr. Chairman, with your permission I ask that copies of two speeches I have made on the need for a rural growth policy be printed in the committee's hearing record on S. 10.¹

I urge early and favorable action on this measure.

**STATEMENT OF HON. ERNEST F. HOLLINGS, U.S. SENATOR
FROM THE STATE OF SOUTH CAROLINA**

Every American knows about the crisis of the cities. Each night, the television brings yet more stories of urban slums and urban ghettos, of urban blight and urban want. Millions go hungry in the ghettos for want of food, while tens of millions breathe the polluted air belching forth from the factory furnaces. Many fear to walk the streets by night, many times even by day, yet for vast numbers no escape is possible. Under the stress and strain, municipal services break down. In education, transportation, sanitation, and communication, our cities hurtle from one crisis to another. The plight of the cities is clear to everyone.

Alongside the crisis of urban America exists another great crisis—the crisis of rural America. Yet, the problems of the countryside go relatively unheard. In housing, while 14 percent of urban dwellings are classified "substandard" twice that amount, 28 percent, of rural housing is substandard. In my own part of the country, the Southland, two-thirds or 66 percent of the rural housing is substandard. That is, such dwellings are without heat, or without electricity, or without water, or without toilet facilities. Unemployment stalks the countryside. The worker in rural America has been displaced by the soaring efficiency of farm mechanization. In the past 20 years, farm employment has tumbled 50 percent, and in the next decade will plummet still another 50 percent. Today there are 14 million impoverished people left behind in our rural areas, and the number would be greater had fewer joined the urban migration. Rural poverty is a harsh fact. If the urban slum is bad, the rural slum is worse.

The urban crisis, the rural crisis—two separate problems facing America? No. Quite the contrary, the sad plight of the city is largely caused by the fact of rural impoverishment. No one seems to recognize that the movement of social problems is from the country to the city.

¹ See Exhibit 6, p. 155; Exhibit 7, p. 160.

The great crisis in urban America is caused by an even greater crisis in rural America. If the problems of the ghetto compound, and they do, it is largely because of the wretched conditions suffered in outlying areas.

America sprang from the soil. Its institutions derive from a rural populace. The plain commonsense of a rural nation gave birth to independence and to the instrument of government which has guided our path for 182 years. It was the produce of our rural areas which filled the Nation's breadbasket, and its raw materials which turned the wheels of its growing industry. America's plenty derived from the soil, and even today its well-being is tied to the earth. Rural America's stake in the future is real and vital.

In the countryside, I see a vast and unused potential for the enrichment of all Americans. By reinvigorating our rural areas, we could guarantee to future generations a more prosperous and secure future. By concentrating our energies on the rehabilitation of the lagging rural economy, we could breathe new prosperity into the entire Nation. An effective assault on the problems of the countryside would (1) revitalize the rural region itself, and (2) relieve the pressure on our steaming urban caldrons. By widening the opportunity available outside of city and suburb, we could reverse the flow of people moving from country to the metropolis, and by so doing encourage the prosperity of both areas. Thus it is that programs designed for rural progress deserve the wholehearted support of legislators from both country and city.

I am proud to be a cosponsor of S. 10, a bill to revitalize rural America by establishing a national policy to promote a better balanced population and economic growth. It is a measure whose time has long since come. It is a measure transcending the interests of section and area, because it means enhanced prosperity for every American, regardless of where he lives. If we can provide the incentives needed to encourage industry to locate and relocate in the rural regions, we can design a new and better future. A future where our new concerns are met, our present problems of congestion, pollution, and poverty alleviated.

I say in all sincerity that this Congress will consider no measure of more importance than the bill being discussed here today. Rural poverty is a tragic blight on the Nation. Besides wreaking untold suffering on millions of human beings in past and present, it is seriously compromising the future. We have it within our power to transform the face of rural America, to lift it from its poverty and direct it toward a prosperous future. A thriving countryside, developed through foresight and national commitment, would go far to solve the many social problems we confront every day of our lives. The cost to the Nation of rural poverty has been far too high. The toll is measured not merely in lost dollars, but in vanished opportunities and wasted lives. Now we are challenged to design the future. What we face is less a material challenge than a moral summons. At issue is the success or failure of the American dream. I hope we will accept that summons, and accept it now—before the opportunity disappears forever.

STATEMENT OF HON. JAMES B. PEARSON, U.S. SENATOR
FROM THE STATE OF KANSAS

Mr. Chairman, I am pleased to submit this statement for consideration by the committee. I want to commend the chairman and the committee for undertaking these hearings which I think are extremely valuable and important.

I want to especially commend you, Mr. Chairman, for your interest and leadership in this matter of rural development. I fully support your bill, S. 10, and I am pleased to be a cosponsor of it. The objective of the bill, a more balanced economic and population growth, is absolutely sound. And the policy instruments provided in the bill would be of considerable help in achieving this basic objective.

For example, we could advance the cause of rural development a great deal if the Federal agencies were to simply make a more conscious effort to administer existing programs in a way that more effectively met community and area development needs. Many of the tools are already there but we are simply not using them effectively.

It is also true that the awarding of Federal contracts can be used to stimulate economic opportunity in nonmetropolitan areas. Under present practices, Government spending policies act to encourage further population concentration.

Because manpower training programs are such an important part of industrial growth, the provision in the bill calling for more effective utilization and coordination of these programs to better fit the needs of rural areas is extremely important.

In short, Mr. Chairman, I think S. 10 is a good bill. I hope the Congress will act favorably upon it.

Mr. Chairman, I cannot stress too strongly the need for this country to adopt and vigorously pursue a policy of balanced economic and population growth. This is one of the central issues facing this country today. Our national well-being for decades ahead will depend to no little extent upon the determination with which we pursue this objective.

Between 1960 and 1970 one-half of our counties had a net population loss. In Kansas, over 75 percent of our counties showed a population decline. The majority of rural counties in most other regions of the country also lost population. On the other hand, enormous gains continued to occur in the metropolitan areas. Thus, for example, the 1970 census shows that 36.2 million people, or 18 percent of our entire population, now reside in the 450-mile strip between Boston and Washington, D.C. If present trends continue, about 70 percent of our people will be located in but four giant metropolitan strips by the year 2000.

And as this concentration of people continues, we are coming to recognize that these large metropolitan conglomerations are increasingly economically inefficient and in many respects socially destructive. And there are disturbing signs that they are becoming politically unmanageable.

Beyond a certain size, the problems of a big city seem to grow in geometric proportions, while our capacity to deal with those problems seems to expand only at an arithmetical rate. And the result is that big cities are almost continually in a state of crisis.

Now no one suggests that we throw up our hands in despair and write the cities off as a lost cause. Such an attitude would indeed be catastrophic. But we must begin to act more vigorously on the proposition that one of the ways to help the cities is to keep more and more people from crowding into them. And we can do this by decentralizing economic opportunity in this country.

Opinion polls show that great majorities of our people prefer to live in smaller communities, but our population is becoming concentrated into a relatively few great megalopolises, because that is where economic opportunity is concentrated.

However, we seek to decentralize future economic growth not simply as a means of relieving pressures on the large cities but also of course to strengthen rural communities, to bring to those communities a level of economic and social well-being which they desperately need and which they deserve. For certainly the crisis of overpopulation in the megalopolises has its counterpart in the crisis of depopulated rural areas. Too many of our rural communities are economically depressed, too few of those rural communities have adequate public services. Too many are lacking in cultural opportunities.

Thus the excessive depopulation of certain areas and the overcrowding of others reduces the overall quality of American life.

The goal of rural development and balanced national growth will not be quickly or easily achieved. And the policy instruments for achieving this objective of necessity will be numerous and varied. There is no single policy instrument which will alter the great economic forces which now produce ever greater concentrations of people and industry.

We need to move ahead on a number of fronts. The bill which this committee is now considering is an important step, but only one of many that should be taken in the years ahead.

We need to do a much better job of improving the infrastructure of our rural communities. We have many of the programs for accomplishing this already on the books. They need to be better coordinated. They need to be more adequately funded. Rural communities are often deficient in such public services as educational programs, health care, public utilities, recreational complexes, water and sewer systems, transportation services, and other systems so basic to the well-being of the community. And because of this, these rural communities are hampered in their efforts to attract new industry.

We also need to do a much better job in planning for long-range community and area development. We need a planning and development structure which is capable of setting some priorities and concentrating limited resources. In short, we need better political and administrative vehicles to promote the economic development process.

And, of course, as you know, Mr. Chairman, I have proposed a number of rural development initiatives. S. 346, the Rural Job Development Act, would provide a series of tax incentives—a 7-percent tax credit on personal and real property, an accelerated depreciation allowance, and a 50-percent tax deduction on wages paid workers given on-the-job training—to industrial and commercial enterprises locating in rural areas. These tax incentives are intended to help overcome some of the disadvantages that industrial enterprises face when they seek to locate in smaller communities.

I have also proposed the creation of the Rural Community Development Bank (S. 742). This bill is designed to channel private capital into the rural community development effort through the mechanism of a specially designed governmental corporation. The Rural Community Development Bank would offer credit and technical assistance to both individual enterprises and public bodies for the development of projects which would serve to strengthen or expand the economic base of rural communities. A lack of adequate credit and technical assistance is one of the important limiting factors in the rural area development process.

I have also proposed the Rural Health Services Act—S. 1353—aimed at improving the quality of health care in rural areas. Our smaller communities are finding it increasingly difficult to attract doctors and other health personnel. They often find it financially impossible to support modern medical centers and facilities. Statistic after statistic demonstrates that health care in rural areas simply does not measure up to that available to Americans living in the larger cities. S. 1353 would seek to encourage more doctors and allied health personnel to locate in smaller communities and it would establish a series of demonstration programs aimed at linking up the small communities to the larger metropolitan centers in the area.

Because there is much that we still do not know about the specific needs of rural areas and the complexities of the economic development process, I have proposed the creation of the National Rural Development Center—S. 1507. This bill would establish a national research center aimed at developing the information base we will need as we consider additional rural development policies in the future.

Mr. Chairman, when I first introduced rural development legislation in 1967 there were only a few people in the Congress and in the executive branch who were involved in this general effort. Therefore, it has been very encouraging to me to see the growth of interest in this subject in recent years. The hearings that this committee is now conducting is a reflection of this broader interest and growing conviction that we must begin to act to achieve the goal of rural development and balanced national growth. Therefore I again commend the committee for its initiative in this area. I am confident that the results of these and subsequent hearings will be of enormous importance and value.

STATEMENT OF HON. JOHN C. STENNIS, U.S. SENATOR FROM THE STATE OF MISSISSIPPI

Mr. Chairman, I appreciate the opportunity to place in the hearing record a statement on S. 10, a bill to revitalize our rural areas by establishing a national policy to promote a better balanced population and economic growth.

I am a cosponsor of this legislation. Our rural areas are in desperate straits. This bill provides prudent and appropriate steps to revitalize these areas, and to slow the uncontrolled and strangling growth that is taking place in the metropolitan areas.

It is the latter trend that is creating so many national problems. It is in the areas where there are tremendous concentrations of popula-

tion that we have seen conditions deteriorate so rapidly in recent years. We are all too familiar with the problems and what it will cost to cure them, if they can ever be cured. They include almost every aspect of community life—high costs of living, inadequate transportation, ghettos, poor schools, pollution, high crime rates, growing welfare rolls, the unemployed and the unemployable, deteriorating inner cities, bankrupt local governments—the full spectrum of the most expensive and most frustrating national problems.

Why do people migrate to the cities? They do so in the hope of improving their economic status, and too often it is a vain hope. If we can offer the prospect of improved opportunity in the rural areas, this not only can stop the migration to the large cities, but to some extent reverse it. The more attractive environment in the country will hold and attract the people as residents, provided there is employment, and for the young people an expectation to be able to improve their economic status—goals to strive for, with a reasonable hope of achieving them by hard work.

A century ago, 85 percent of the American people lived in rural areas, and only 15 percent of them in the cities. Now there is almost a reversal of this, with 65 percent in the cities and 35 percent in rural areas. That means we have 140 million people who must endure the unattractive, and often unpleasant and unhealthy, surroundings of the metropolitan areas. For the most part, they do so to make a living.

The 65 million Americans who do not live in the big cities will be enabled to stay in rural areas, as most of them would like to do, if jobs of reasonable quality could be brought to them there. Others who now live in the city would join them. Both categories would gain thereby.

It is, of course, the great strides in increasing agricultural productivity that is at the root of the mass movement from farm to city. Agricultural abundance has been a great boon to the United States, and has even permitted us to help some of the less fortunate countries of the world. The rural parts of our country, however, have paid a heavy price for this. With production per man-hour growing several times faster on farms than in the rest of the economy, as it has for many years, it is the disadvantaged rural people who pay the price. Mechanization, ever-increasing production, and the slow disappearance of the small farms have driven hundreds of thousands of farm workers to the cities seeking work. Too frequently they do not find it, and become welfare cases.

It is time to take some positive steps to slow this disastrous trend. The bill we propose, S. 10, is intended to do this. To describe the bill very briefly, it states a policy, and several steps proposed to attain the goal stated by the policy. The goal is to achieve more evenly distributed industrial growth throughout the country. The steps proposed are to give preference in Federal grant programs and in awarding Federal contracts so as to provide growth in rural areas, and to use the manpower training programs to provide the necessary trained work force in the rural areas.

Much can be achieved by carrying out these steps. I strongly advocate the passage of S. 10, for the revitalization of rural areas, and urge that the Government Operations Committee report it favorably to the Senate.

(The following letter and supplemental statement, from Senator Stennis, was subsequently received for the record:)

U.S. SENATE,
COMMITTEE ON ARMED SERVICES,
Washington, D.C., August 6, 1971.

Hon. JAMES McCLELLAN,
Chairman, Senate Committee on Government Operations,
Washington, D.C.

DEAR CHAIRMAN: Enclosed is a statement on the revitalization of rural areas, supplementing a statement previously provided to you on April 27, 1971, which was placed in the record of the hearings on your bill, S. 10, of which I am a cosponsor.

I will appreciate it if you will have the attached statement placed in the hearing record also, at an appropriate place.

With warm regards, I am

Sincerely yours,

JOHN C. STENNIS.

Mr. Chairman, I wish to thank you for permitting me to place in the hearing record a supplemental statement on S. 10, a bill to revitalize our rural areas. A previous statement was placed in the record on April 27, 1971.

In this statement, Mr. Chairman, I wish to take one example of the tremendous Federal spending program in major cities, and contrast this lavish expenditure with the lack of effort displayed toward correction of unsatisfactory conditions in rural America.

As an example of what is being done for major cities, consider the mass transit program. In fiscal year 1971, capital grants for urban mass transit were made in the amount of \$281.7 million. These funds are to facilitate the movement of urban citizens between their residences and places of work, and to assist the movement of people about the cities in pursuit of business or pleasure. They are city systems, serving city purposes. Only by coincidence do they sometimes have an interstate aspect. It requires stretching the imagination to consider them national assets, but they certainly devour national funds.

Since enactment of the Urban Mass Transportation Act of 1964, capital grants for mass transit systems have totaled \$965.4 million. Grants began in fiscal year 1965 at \$1.1 million, and doubled in a year. By 1969, they had tripled, and in two years had doubled again. This tremendous expenditure of money is not going to stop. It is going to continue to double and triple until it reaches astronomical figures, unless Congress does something to change the priorities for Federal funds. So far, New York has received \$225.2 million, Chicago \$108.8 million, Boston \$140.9 million, San Francisco \$145.3 million, Philadelphia \$40.9 million, and Cleveland \$22.2 million. These are just the six largest allocations. There are others, of course.

In the meantime, what kind of assistance is being given the small rural towns and communities, those with a population of 5,500 or less? Let us consider one program that serves these people, that of rural water and waste disposal systems.

There are over 30,000 such communities that do not have adequate water and sewer systems. Millions of people are having to live without these basic, essential facilities. The Farmers Home Administration, which operates the rural water and sewer grants and loans program, made a survey in 1969 which showed that \$11 billion would be necessary to provide for currently needed improvements in new systems.

Here is the essential need for rural community health, and for economic progress. It simply does not enter rural communities where there is not adequate water and waste disposal systems. How are these communities faring for Federal funds for these necessities of life?

Last year, for fiscal year 1971, the Congress made a strong increase in the money for this program, and boosted the water and waste disposal grants to \$100 million. What happened? The Office of Management and Budget froze \$56 million and declined to spend it. In the budget they proposed for fiscal year 1972, they did not request any money for this program, saying that of the \$56 million carried over, they would use \$42 million in fiscal year 1972, and carry over \$14 million to the following year. Contrast this with the \$281.7 million for the big cities in fiscal year 1971, so that their people can ride subways.

Mr. Chairman, the priorities on the use of Federal funds badly need revision. If the rural areas of our country are allowed to continue to deteriorate, the results will be simply to compound the problem of urban areas. That is where the people go, of course, if they leave their rural homes. If we lose the rural communities, we lose the strength of the heartland of our country.

I wish to commend this committee for undertaking hearings aimed at drafting the most effective legislation possible for the purpose of revitalizing rural areas. In my view, it is one of the most difficult problems facing our country today and, in my judgment, a solution to it is absolutely essential to the future of this country.

The CHAIRMAN. In addition, I want to say that, at the request of the committee, the Economic Research Service of the Department of Agriculture is making an extensive series of studies on various aspects of rural development. This material, as we receive it will be printed separately and made available.

Our first witness is the Assistant Director of the Office of Management and Budget, Mr. Dwight A. Ink.

Mr. Ink, we welcome you this morning. We appreciate the cooperation you have given the committee and your willingness to come and testify, representing the Office of Management and Budget under the President.

You have a prepared statement?

Mr. INK. Yes, I have, Mr. Chairman. If it is permissible with the committee, I would like to read part of it; perhaps not read the total of it, but submit the total of the testimony for the record.

The CHAIRMAN. Without objection, you may read such part as you like and the remainder—any part that you do not read—can be printed in the record as part of your opening statement.

Will you identify your associate?

Mr. INK. Yes, sir. I have with me today Mr. William Brussat. Mr. Brussat is a member of my staff and he has the responsibility for working with the planning, coordinating machinery that we have tried to foster through the Federal Government for working with the State and local government, particularly with the implementation of the Intergovernmental Cooperation Act.

The CHAIRMAN. Very well. You may proceed now as you wish.

TESTIMONY OF DWIGHT A. INK, ASSISTANT DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET; ACCOMPANIED BY WILLIAM K. BRUSSAT, MANAGEMENT ANALYST

Mr. INK. Mr. Chairman, members of the committee, it is a privilege to appear before this committee to discuss the efforts of this administration to address some of the problems of rural development set forth in S. 10. The accelerating intensity of many of these problems makes their successful resolution imperative. We are hopeful that some of the efforts being made or action proposed by the administration will contribute to that resolution.

I understand that the committee is particularly interested in activities of the Office of Management and Budget that are directed toward coordinating existing Federal programs of benefit to rural areas and communities. We are presented with a number of questions on these matters and were told of the committee's special interest in OMB

Circular No. A-95, which is directed to fostering cooperation between the State and local governments.

The CHAIRMAN. It may be advisable to submit the questions at this point. I understand you propose to respond to the questions submitted to you?

Mr. INK. Yes, sir. We have the material that has been given to the committee that does respond to those questions and we touch on them to some extent in the testimony as well.

The CHAIRMAN. I think it would be well, then, to let the questions appear at the conclusion of your remarks so we will know what information the committee sought from you and your response to those questions.²

Mr. INK. Yes, sir.

The CHAIRMAN. Very well. You may proceed.

Mr. INK. I would like to concentrate primarily on these questions and the operation of A-95, although my testimony given for the record will also touch briefly on several other areas.

ADMINISTRATION'S APPROACH TO RURAL DEVELOPMENT

Our discussion will be confined largely to the managerial and coordinative aspects of the administration approach to rural development. Policy on these matters is, as you know, developed in the Domestic Council and the programmatic aspects by the Department in carrying out and implementing these policies. On those broad policy issues, we would defer to the Council members, particularly to Secretary Hardin.

Turning first to the activities presently underway that deal with coordination of Federal programs in rural areas, let me say that I feel the role of OMB in this area is not so much to be the coordinator, but rather to create the conditions under which coordination can or will take place among the agencies and State and local governments. OMB Circular No. A-95 provides a good example of this distinction.

A-95 is intended to implement some of the broad mandates of title IV of the Intergovernmental Cooperation Act of 1968. Title IV sets forth policies for the coordination of Federal development assistance programs in an intergovernmental framework. I might say that, of course, applies to urban and rural alike.

A-95 has several parts, two of which I think would be of special interest to the committee. The first is based on a key policy statement in section 401 (c) of the act:

To the maximum extent possible, consistent with national objectives, all Federal aid for development purposes shall be consistent with and further the objectives of State regional, and local comprehensive planning.

The CHAIRMAN. I think we should have Circular A-95 printed in the record. If you will leave a copy with us, we will place it in the record at the conclusion of your remarks.

Mr. INK. Yes, sir. We will leave a copy with the staff at the conclusion of the hearings this morning.³

This part of A-95 promotes the establishment of a network of State, metropolitan, and regional or nonmetropolitan "planning and development clearinghouses." State and regional clearinghouses are designated by Governors of the States; and metropolitan clearing-

² See Exhibit 3, p. 66; Exhibit 4, p. 71.

³ See Exhibit 1, p. 42.

houses by OMB in consultation with Governors and local elected officials. What the clearinghouses do, in essence, is to review applications for Federal assistance under a wide variety of programs, most of which are of the public facilities type. Since most of the clearinghouses are comprehensive planning agencies in existence at the time the circular was issued, they review these proposals from the standpoint of their impact on statewide or areawide development plans and programs.

The CHAIRMAN. Are these clearinghouses established under the Office of Management and Budget?

CLEARINGHOUSES DESIGNATED BY GOVERNORS

Mr. INK. No; these clearinghouses are established out in the States and they are designated by the Governors.

The CHAIRMAN. By whom?

Mr. INK. By the Governor.

The CHAIRMAN. By the Governor?

Mr. INK. And except for the metropolitan clearinghouses which were designated by OMB—and this, Mr. Chairman, took place largely before the Intergovernmental Act was passed under prior legislation. So that work was virtually completed in OMB's designation of metropolitan clearinghouses. But the States are still proceeding with designation of clearinghouses in nonmetropolitan clearinghouses.

So first, as I say, some of the clearinghouses, many of them, are regional planning agencies and they, therefore, review these proposals from a regional standpoint. Second, as clearinghouses, these agencies also try to identify specific agencies or local jurisdictions whose plans and programs might be affected by a proposed project and bring them in as participants in the review process.

The main thing to note is that A-95 does not tell the Governors that they must establish or designate State or regional clearinghouses. Rather, it says, if you as Governor wish to set up these review agencies, then the Federal Government obligates itself to seeing that you have the opportunity to review project proposals and to coordinate them with other State regional and local plans and programs. The possibilities inherent in this opportunity have been widely recognized by the Governors. State clearinghouses have been designated in every State, and Governors have designated regional, nonmetropolitan clearinghouses, 160 to date, in 27 States. There are 208 metropolitan clearinghouses. We estimate that about 85 percent of the National population reside in the 1,600 plus counties covered by the metropolitan and regional clearinghouses. The number of counties covered continues to grow as Governors designate new regional clearinghouses.

Well over a thousand of these counties are nonmetropolitan in nature. This includes a number of rural counties adjacent to metropolitan areas which have joined the metropolitan clearinghouse organization in part for the technical assistance provided through the A-95 review. Frequently, the clearinghouse is the only nearby source of technical expertise and knowledgeability about Federal assistance programs and their requirements.

OVERLAPPING AREAS OF JURISDICTION

The other part of A-95 to which I should like to refer was developed in response to a complaint made initially by the Governors' conference,

which had noted the proliferation of overlapping multijurisdictional areas being established under various Federal programs. Under HUD planning programs, EDA economic development district programs, OEO/CAP programs, HEW comprehensive health planning programs, and a host of others, planning districts were being set up quite independently of each other. They overlapped and enveloped each other. Each area would have its own planning organization, duplicating in part the efforts of others.

Mr. Chairman, if there were more time, we could go into some depth on the complexity of the Federal planning and assistance programs, each of which have been developed with the very best of intentions to help areas in need. But over a period of time, in their totality, all these different ones have accumulated such a maze of complexity and red-tape that it has been very difficult, oftentimes, from the standpoint of States and the standpoint of communities, to utilize them effectively. Sometimes the burden of this complexity has weighed most heavily upon the rural and semirural areas, which frequently do not have the facilities that the large cities do to send someone into Washington to chase through the Federal bureaucracy in behalf of their project.

Governors from States with large rural areas, particularly economically depressed areas, were especially vociferous in their complaints. They pointed out that these overlapping, independent agencies, each with its own requirements, took a serious toll in local matching funds, manpower, and leadership.

The CHAIRMAN. Is there any way your Office can direct the coordination of these agencies?

Mr. INK. There are some steps that we can take. I would like to ask Mr. Brussat not to take the time to discuss these, but if you could just turn down the overlays.

Mr. Chairman, this will indicate on that map a series of different kinds of programmatic districts which one finds as one moves across the country.

Mr. BRUSSAT. I will just read the titles as I go down the list.

The CHAIRMAN. All right.

Mr. BRUSSAT. These are river basin commissions and planning regions. Overlaid on that is air quality control regions.

Then we have the community action agencies funded by OEO. Over that are law enforcement planning regions.

This is a map of the cooperative area manpower planning regions. You can see that the maze gets thicker.

Then there are the areawide comprehensive health planning agencies.

The resource conservation and development project areas under the Department of Agriculture.

Metropolitan planning agencies funded out of the HUD 701 program.

Local development districts in Appalachia.

Economic development districts under the EDA program in Commerce.

These are the State-designated districts which Mr. Ink will touch on, designated by the Governors of the State.

And finally, we have the metropolitan regional clearinghouse set up under A-95.

The CHAIRMAN. That looks very complicated. Is there any way in the world to coordinate all of these overlapping planning authorities?

WAYS TO CORRECT OVERLAPPING

MR. INK. Mr. Chairman, there are several ways we think this can be done, at least to a large extent. One which I will touch on just very briefly—it is not in my testimony. We have with respect to those departments that are concerned primarily with social-type programs—OEO, HUD, HEW, Labor, Small Business, and some others. Federal field establishments now set up with common regional boundaries throughout the Nation, and the regional offices where the planning is done are tied together in one place in each region. One of the purposes of this arrangement is to enable the Federal people who are concerned with field operations in a common geographical area to begin to think and work with State and local units of government in terms of common planning activities.

Second, A-95, and here I am returning to my testimony, attempts to meet this problem in several ways. It encourages Governors to establish systems of substate planning and development districts;

(2) It requires Federal agencies to conform to those district boundaries unless there is clear justification for not doing so; and

(3) It requires a checkpoint system in agency procedures that would require the planning agency being assisted to identify agencies carrying on related planning in the area and demonstrate its efforts to coordinate with them.

This has proved to be relatively successful with areas designated subsequent to issuance of the requirement. Although there have been problems in implementing this requirement, we think there is enough success here to indicate that this is workable with respect to the new programs coming along. But, as I point out in my testimony, thus far, its retroactive application has been almost nonexistent. In other words, at this stage, we have not had significant impact on unraveling those that have accumulated over a period of years in a complex fashion. This is in part because our primary effort on A-95 the first year—last year—was on getting the clearinghouse network underway, which we did. However, we are now laying plans for a systematic reexamination of these federally designated areas with as full a realignment as can be practicably achieved. This is an important point. As a practical matter, this realignment will be most difficult except in States that have established their own sub-State districts and in which the Governor rigorously works to make them viable.

About two-thirds of the States have such sub-State systems. And, Mr. Chairman, quite a number of the Governors and States have moved last year. Arkansas, I think, has done very well. Some of these sub-State systems are as yet little more than lines on a map. Others have viable comprehensive planning agencies or councils of local governments in all districts and the State utilizes them in its own planning and administration. Arkansas, Texas, Mississippi, Vermont, Georgia, and Oregon are examples of States falling in this category. I should note that the metropolitan and regional clearinghouses form the organizational base for the districts in these States.

We are hopeful that over the next year we will be able to report a realignment in an increasing number of States, depending again in large part upon the pace at which the States move.

ROLE OF FEDERAL REGIONAL COUNCILS

Beyond the immediate oversight of A-95 provided by OMB, I should note that the Federal Regional Councils are playing an increasingly active role in its implementation. Here, we are talking, Mr. Chairman, about key field representatives of Federal agencies that are located out in each of the 10 regions. These Councils will play the key role in effecting the realignments of federally designated planning regions with sub-State planning districts. At the present time, OMB and the Councils are systematically examining the consistency of Federal administrative subregions with any State established planning and development districts.

That is still another dimension to the complexity of this picture, because even though one may have, as we have now in a number of instances, drawn the Federal pattern together in the social agencies, we still have to look at the feasibility of this in the natural resource area. In all cases, we have to look at the feasibility with respect to the subregional organization. In particular, even though we may conclude that it is not feasible to pull everything together on the same basis, we are terribly anxious that the Federal agencies who are setting up a subregional organization in a given area be consistent within a State, with the districts as they have been worked out at the State level within that State.

The Federal Regional Councils are addressing other aspects of rural development as Council projects, the most notable being the development of coordinative approaches to the problems of migrant labor. There are other, more specific projects such as the Denver Regional Council's work with Governor Kneip of South Dakota in developing a statewide rural development strategy. Similarly, in the 10 county Southern Oklahoma Development Association area, the Dallas Regional Council is testing the feasibility of developing a systematic application of Federal technical assistance resources in helping a rural area formulate a comprehensive planning process and economic development strategy.

Mr. Brussat has worked with that group.

I did not mention in my testimony that the Chicago Regional Council, a little over a year ago, looked at a number of smaller communities, semirural communities, in Ohio and concluded that the Federal machinery, Mr. Chairman, was still much more effectively designed to deal with metropolitan areas than it was with semirural and rural areas. One of the conclusions that they came to was that the States should take a particular interest in these areas, because it was not practical to scatter people from these Federal agencies all around the counties in all the small communities. But the State agencies frequently do have people in the smaller communities.

Having discussed these ongoing actions that are being taken to effect some degree of improvement in the rural economy, I would like to turn to areas of activity that I think can make much more substantial inroads into the problems to which S. 10 is addressed.

I agree, Mr. Chairman, with your earlier statement and that of Senator Percy's, that it is a basic error to think of rural and urban development as though they were polar opposites. This is no longer 1910, when Frederick Jackson Turner observed that the "last frontier" had been reached, and more Americans were living in "cities" than in the country. We are one nation, and the interdependence between urban and rural economies is clear and apparent. Yet our Federal programs are so frequently designed as though these were two different worlds rather than closely related aspects of a single society. Urban and rural—I could not even characterize those terms as two sides of a single coin. They are simply references to ends of a continuum.

RURAL TO URBAN ECONOMY

However, this much is true: As our society has moved from a rural to an urban economy, the disparity of economic benefits between points on that continuum has broadened. Economic activity tends to concentrate at the urban end. This is not an unmixed blessing. It draws both those who have failed in declining rural economies and the rural youth in search of a future. But if the central urban cores are the hub of the Nation's economic activity, they are not necessarily the residence of the wealth they create. So we have the depressed rural area. These, then, might be regarded as the two sides of the same coin.

Mr. Chairman, I have a very strong personal interest in these problems. I worked in city hall, was a city manager, I was Assistant Secretary of the Department of Housing and Urban Development, where our efforts were concentrated on urban problems. We spent a great deal of attention dealing with the ghetto problems of the large cities. But at the same time, I grew up on a farm in Iowa. Like a good many other youngsters, I walked barefoot to a one-room country school.

I returned to that farm 2 weeks ago for the first time in over 30 years. At the end of the thirties, through a combination of droughts, dust storms, depressions, and whatnot, my father had to leave the farm and, like so many people of those days, moved to the city. I visited and revisited that farm. But today this beautiful country area, some 15 or 20 miles south of Des Moines, I have found has since then become occupied by a succession of people working in Des Moines who have used it as a bedroom, in effect. The orchard on the slope is now littered with abandoned automobiles. Instead of beautiful countryside, it is a burgeoning dump. The economic vitality of that kind of a change was striking to me when I returned after a good many years.

URBAN AND RURAL PROBLEMS SAME

But my main point is, as several of you said in the beginning of this hearing, one of the most serious mistakes we have made over the years is to regard urban problems and rural problems as separate and distinct, as though there were an artificial barrier between the two. One contributes to the other and feeds upon the other.

A third point, in answer to your earlier question, Mr. Chairman, about steps we could take to better coordinate, we believe that the President's proposals for reorganization of the executive branch—particularly the proposal for a Department of Community Development—can greatly simplify the basic problems of coordinating delivery of Federal assistance to rural areas and small communities.

It will do this in several constructive ways. First of all, it does away with the false distinction I mentioned between rural and urban and recognizes the continuum I alluded to before and the very real community of development problems among rural and urban areas. In carving out program jurisdiction, we have been designating as rural communities those under various population sizes and assigning them to the Department of Agriculture with HUD getting those over those population cutoffs since they are considered urban.

Just to illustrate how artificial this is, when Senator Anderson chaired the Cabinet Committee for Rebuilding Alaska after the earthquake, President Johnson appointed me executive director of that effort. I found in dealing with those small communities in Alaska that there was no rational way in which we could divide areas that were dealt with some small communities to be dealt with, by the housing programs in Agriculture and others dealt with in the HHFA. In one instance, we designated one community with one and another community with another, because the distinctions were just too artificial.

Large or small, towns and cities need water and sewer facilities, streets and roads, libraries and neighborhood centers, and decent housing. Under the Department of Community Development proposal, Federal assistance to these necessities would not be scattered among several departments—each with its own view of the Nation's needs but would be concentrated in one agency which has as its mission service to community needs, no matter the size of the community.

The realignment of closely related functions in these purpose-oriented departments would by itself facilitate a more coordinated delivery of Federal program resources to rural areas. When this proposed improvement is coupled with the administration's actions to decentralize program authority to the chief administrative officers of Federal departments in the 10 standard Federal regions, the effective program delivery capabilities of the executive branch, in our judgment, will be even further strengthened. Again, I would stress, Mr. Chairman, our very strong view that we in Washington simply do not know enough about the individual communities to be making operational decisions. We can make policy decisions that affect the Nation as a whole, but the operational decisions with respect to individual projects, in our judgment, simply have to be made by Federal people working with State and local people out in the areas away from Washington.

REGIONAL COUNCILS BEING FORMED

It is the administration viewpoint that the Federal regional officials are much more tuned in to local problems than Washington is and can work much more effectively with State and local officials. The President's target for getting the Federal regional councils established was September 1970. The target was not, and the councils are now in the process of shaking down. However, the promise of the Federal regional councils for more coordinated and focused attention to the peculiar development needs of each region, we believe, will be more fully realized when those councils truly represent the fullest practical array of Federal domestic program resources.

Mr. Chairman, on page 17, I mention the grantsmanship problem and the fact that the revenue-sharing proposals eliminate that problem. I mention it here because in the grantsmanship area, the rural and semirural areas are operating at a great disadvantage in comparison to the metropolitan areas which do have the resources, as I say, to send people down to Washington and follow the course of these actions.

Now, on page 18, I want to address myself to one aspect of the rural revenue-sharing proposal which I think is of particular interest to the subject here this morning.

This provision would have each State establish a statewide system of multicounty planning districts, including metropolitan areas. The district organizations would be composed of local elected officials. Each district would appoint one representative to an advisory body to the Governor, which would assist him in preparing a statewide development plan outlining spending intentions in the various areas, urban and rural alike.

District and local development plans would be inputs into the State development plan which is a requirement for the rural development revenue-sharing allocation, even though the plan is not subject to Federal approval. Such an approach would link urban and rural development interests within the framework of a balanced development strategy and would substantially strengthen the coordination of planning and development activities sought under Circular No. A-95.

We would expect, Mr. Chairman, where that machinery has already been set up under A-95, that that would simply be drawn upon and used by the States.

In summary, then, I believe that in terms of what coordination activities are presently going on: in terms of Domestic Council deliberations on a national growth strategy; in terms of the potentials inherent in the President's proposals for reorganization of the executive branch and in his revenue-sharing package; and in the efforts I alluded to to streamline the Federal grant-in-aid system, including decentralization. We believe there is a broad potential for a coordinated and comprehensive attack on the problems besetting rural areas, and we think it is useful to the committee in its consideration of further steps that might be taken.

These are not complete answers to the problems of rural development. Not by any means. But they are not fragmentary answers. We believe they are unifying. They do not address the problems of rural areas as if those rural areas were something apart like those of a foreign nation, but as problems that are integral to the whole question of our national growth and economic and social survival.

I hope that the committee will give consideration to these perspectives in evaluating proposals such as S. 10 and in the course of considering various parts of the President's legislative program.

Mr. INK. Mr. Chairman, if Mr. Brussat or I can answer questions, we will be glad to.

The CHAIRMAN. Thank you very much. I only have two or three. This is, as previously stated, an orientation hearing. I am sure that before our entire hearings are concluded, the committee will want you to come back and help us to appraise and evaluate the suggestions and

information developed during their course. But at the outset, I would like to know—and I assume you speak for the administration—whether the administration agrees that there should be a national policy with respect to this very acute problem of revitalizing the rural sections of this Nation?

Mr. INK. Yes, sir; we do. We regard this as a very important problem.

MORE GOVERNMENT EFFORT NEEDED TO ENCOURAGE INDUSTRY TO LOCATE
IN RURAL AREAS

The CHAIRMAN. Do you agree that it is a very serious problem and one that needs a more concerted Government effort?

Mr. INK. Yes, sir.

The CHAIRMAN. Now, let me ask if you recognize, as we do in this bill, that in the future, it will be advisable and in our overall national interest, to try to develop a more equitable pattern of population and industrial growth, as our population increases and our economy expands so that we may deal effectively with distress at both ends of the population spectrum. Simply put, where there is overcrowding, where there is an overconcentration of people, shouldn't the Federal Government try to bring about some relief by undertaking a policy to encourage industry, as it expands, to locate in more sparsely settled sections of the country thereby bringing about a better stabilization of population growth away from our already overcrowded compacted cities? Shouldn't we provide opportunities out in rural areas where these people are now coming from—provide them with opportunities for a livelihood and for pleasant living so they can continue to live there?

What I am getting at, is if we do not do something now to prevent the continued flow or migration of people from rural areas into the metropolitan centers, are we not going to have much worse conditions than we have today?

Mr. INK. Mr. Chairman, in one of the paragraphs that I do not believe I got to in my testimony that is submitted for the record, I pointed out that the Congress has in fact directed the President through the assistance of the Domestic Council, of course, to develop a national urban growth strategy. We look upon this as a balanced growth strategy, one which, as you indicate, does recognize problems and the needs at both ends of the urban-rural scale.

Now, this policy statement is being developed through the Domestic Council. I believe the report is due to the Congress in 1972 and will reflect the thinking of the Domestic Council, which includes the department heads, as you know, on how to meet the problems that you have outlined, which we agree with.

OBJECTIVES OF S. 10 SOLUTION TO MANY PROBLEMS

The CHAIRMAN. Well, are you in agreement with the general objectives of this bill? Are they not vital to the solution of this problem?

Mr. INK. Yes, sir.

The problems that you outlined in the beginning are very serious, critical problems, and we agree that this has to be attacked on a balanced basis, one which looks at the rural, semirural, and urban areas.

The CHAIRMAN. I am going to suspend my questions for a few minutes in order to attend a brief conference.

Senator, will you preside and proceed with your questions?

Senator ALLEN (presiding). I have no further questions, Mr. Ink. Thank you very much for this most informative presentation. We appreciate it.

Senator CHILES?

Senator CHILES. I have no questions.

(The following material, consisting of Mr. Ink's prepared statement, OMB Circular No. A-95, and questions submitted to the Office of Management and Budget by the committee (and the responses therefrom), was subsequently received for the record:)

STATEMENT OF DWIGHT A. INK, ASSISTANT DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET

Mr. Chairman and Members of the Committee: It is a privilege to appear before the Committee to discuss the efforts of this Administration to address some of the problems of rural development set forth in S. 10. The accelerating intensity of many of these problems makes their successful resolution imperative. I am hopeful that some of the efforts being made or action proposed by the Administration will contribute to that resolution.

I understand that the Committee is particularly interested in activities of the Office of Management and Budget in coordinating existing Federal programs of benefit to rural areas and communities. We were presented with a number of questions on these matters and were told of the Committee's special interest in OMB Circular No. A-95. What I would like to do is address these questions and A-95 fairly briefly in my testimony but supply the Committee with more detailed response as an appendix to the testimony. Beyond that, however, I should like to mention the impact that the President's proposals for reorganization of the Executive Branch and for revenue sharing can have on the rural development problems to which S. 10 addresses itself. These proposals, if enacted, can have, I believe, a very profound and salutary impact on the resolution of these problems.

My testimony will be confined largely to the managerial and coordinative aspects of the Administration approach to rural development. Policy on these matters is, as you know, developed in the Domestic Council and the programmatic aspects by the Departments. Therefore, on such questions I defer to Council members, especially to Secretary Harkin.

Turning first to activities presently underway that deal with coordination of Federal programs in rural areas, let me say that I feel the role of OMB in this area is not so much to be the coordinator but to create the conditions under which coordination can or will take place. OMB Circular No. A-95 provides a good example of this distinction.

A-95 is intended to implement some of the broad mandates of Title IV of the Intergovernmental Cooperation Act of 1968. Title IV sets forth policies for the coordination of Federal development assistance programs in an intergovernmental framework. A-95 has several parts, two of which I think would be of special interest to the Committee. The first is based on a key policy statement in section 401(c) of the Act:

"To the maximum extent possible, consistent with national objectives, all Federal aid for development purposes shall be consistent with and further the objectives of State, regional, and local comprehensive planning."

This part of A-95 promotes the establishment of a network of State, metropolitan, and regional or nonmetropolitan "planning and development clearinghouses." State and regional clearinghouses are designated by Governors of the States; and metropolitan clearinghouses by OMB in consultation with Governors and local elected officials. What the clearinghouses do, in essence, is to review applications for Federal assistance under a wide variety of programs, most of which are of the public facilities type. Since most of the clearinghouses are comprehensive planning agencies they review these proposals from the standpoint of their impact on statewide or areawide development plans and programs.

However, as *clearinghouses*, these agencies also try to identify specific agencies or local jurisdictions whose plans and programs might be affected by a proposed project and bring them in as participants in the review process.

The main thing to note is that A-95 does not tell the Governors that they must establish or designate State or regional clearinghouses. Rather, it says, if you as Governor wish to set up these review agencies, then the Federal Government obligates itself to seeing that you have the opportunity to review project proposals and to coordinate them with other State regional and local plans and programs. The possibilities inherent in this opportunity have been recognized by the Governors. State clearinghouses have been designated in every State, and Governors have designated regional, nonmetropolitan clearinghouses, 160 to date, in 27 States. There are 208 metropolitan clearinghouses. We estimate that about 85 percent of the Nation's population reside in the 1600 plus counties covered by the metropolitan and regional clearinghouses. The number of counties covered continues to grow as Governors designate new regional clearinghouses.

Well over a thousand of these counties are nonmetropolitan. This includes a number of rural counties adjacent to metropolitan areas which have joined the metropolitan clearinghouse organization in part for the technical assistance provided through the A-95 review. Frequently, the clearinghouse is the only nearby source of technical expertise and knowledgeability about Federal assistance programs and their requirements.

The other part of A-95 which I should like to refer was developed in response to a complaint by the Governors' Conference which had noted the proliferation of overlapping multijurisdictional areas being established under various Federal programs. Under HUD planning programs, EDA economic development district programs, OEO/CAP programs, HEW comprehensive health planning programs, and a host of others, planning districts were being set up quite independently of each other. They overlapped and enveloped each other. Each area would have its own planning organization, duplicating in part the efforts of others.

Governors from States with large rural areas, particularly economically depressed areas, were especially vociferous in their complaints. They pointed out that these overlapping, independent agencies, each with its own requirements, took a serious toll in local matching funds, manpower, and leadership.

Circular No. A-95 attempts to meet this problem in several ways:

- (1) It encourages Governors to establish systems of substate planning and development districts;
- (2) It requires Federal agencies to conform to those district boundaries unless there is clear justification for not doing so; and
- (3) It requires a checkpoint system in agency procedures that would require the planning agency being assisted to identify agencies carrying on related planning in the area and demonstrate its efforts to coordinate with them.

This has proved to have some success with areas designated subsequent to issuance of the requirement. Its retroactive application has been practically nonexistent. This is in part because our primary effort on A-95 was on getting the clearinghouse network underway. However, we are now laying plans for a systematic reexamination of these federally designated areas with a full realignment as can be practically achieved. As a practical matter this will be most difficult except in States that have established their own sub-state districts and in which the Governor rigorously works to make them viable. About two-thirds of the States have such sub-state systems. Some of these are little more than lines on a map. Others have viable comprehensive planning agencies or councils of local governments in all districts in its own planning and administration. Arkansas, Texas, Mississippi, Vermont, Georgia, and Oregon are examples of States falling in this category. I should note that the metropolitan and regional clearinghouses form the organizational base for the districts in these States.

We are hopeful that over the next year we will be able to report a realignment in an increasing number of States. Beyond the immediate oversight of A-95 provided by OMB, I should note that the Federal Regional Councils are playing an increasingly active role in its implementation. The Councils will play the key role in effecting the realignments of Federally designated planning regions with sub-State planning districts. At the present time, OMB and the Councils are systematically examining the consistency of Federal administrative subregions with any State established planning and development districts.

The Federal Regional Councils are addressing other aspects of rural development as Council projects, the most notable being the development of coordinative approaches to the problems of migrant labor. There are other, more specific projects such as the Denver Regional Council's work with Governor Kneip of South Dakota in developing a Statewide rural development strategy. Similarly, in the 10 county Southern Oklahoma Development Association area, the Dallas Regional Council is testing the feasibility of developing a systematic application of Federal technical assistance resources in helping a rural area formulate a comprehensive planning process and economic development strategy.

Having discussed these ongoing actions that are being taken to effect some degree of improvement in the rural economy, I would like to turn to areas of activity that I think can make much more substantial inroads into the problems to which S. 10 is addressed.

But, if I may, I'd first like to present a point of view that may give more meaning to the concrete proposals about which I mean to speak.

I think it is basic error to think of rural and urban development as though they were polar opposites. This is no longer 1910, when Frederick Jackson Turner observed that the "last frontier" had been reached, and more Americans were living in "cities" than in the country. We are one Nation, and the interdependence between urban and rural economies is clear and apparent. Yet our Federal programs are so frequently designed as though these were two different worlds rather than closely related aspects of a single society. Urban and rural—I could not even characterize those terms as two sides of a single coin. They are simply references to ends of a continuum.

However, this much is true: as our society has moved from a rural to an urban economy, the disparity of economic benefits between points on that continuum has broadened. Economic activity tends to concentrate at the urban end. This is not an unmixed blessing. It draws both those who have failed in declining rural economies and the rural youth in search of a future. But if the central urban cores are the hub of the Nation's economic activity, they are not necessarily the residence of the wealth they create. So we have the depressed central city and the depressed rural area. *These*, then, are the two sides of the same coin.

What I mean to say is that actions to restore rural economies cannot be developed in isolation. Our approach must be one that is based on an analysis of national growth and development and is part of a national growth strategy.

The Congress, in title VII of the 1970 urban development legislation directed the President with the assistance of the Domestic Council to develop a national urban growth strategy. Do not be deceived by the term "urban growth". It is a real recognition of those two sides of the coin. At the same time, Title VIII makes the point that such actions must be a part of a total strategy that seeks to reduce the economic inequities flowing from uncontrolled growth in the so-called "megapolises". These inequities work equal hardships on central cities and rural areas.

Even before Title VII and its directives to develop an urban growth policy, the Domestic Council had been addressing these problems. They are not simple ones.

However, I think that we have developed some approaches that are going to help in very substantial measure, although they are by no means a complete answer. Nevertheless, I believe they not only will assist in relieving some of the pressure on rural and urban economies, but will simplify the efforts of the Domestic Council in developing recommendations for the President on the urban growth policy mandated by Title VII.

First of all, the President's proposals for reorganization of the Executive Branch—particularly the proposal for a Department of Community Development—can, I believe, greatly simplify the basic problems of coordinating delivery of Federal assistance to rural areas and small communities.

It will do this in several constructive ways. First of all, it does away with the false distinction between rural and urban and recognizes the continuum I alluded to before and the very real community of development problems among rural and urban areas. In carving out program jurisdiction, we have been designating as rural communities those under various population sizes and assigning them to the Department of Agriculture with HUD getting those over

those population cutoffs since they are considered urban. But large or small, towns and cities need water and sewer facilities, streets and roads, libraries and neighborhood centers, and decent housing. Under the Department of Community Development proposal, Federal assistance to these necessities would not be scattered among several departments—each with its own view of the Nation's needs but would be concentrated in one agency which has as its mission service to community needs, no matter the size of the community.

The realignment of closely related functions in four purpose oriented departments would by itself facilitate a more coordinated delivery of Federal program resources to rural areas. When this improvement is coupled with the Administration's actions to decentralize program authority to the Chief Administrative Officers of Federal departments in the ten standard Federal regions, the effective program delivery capabilities of the Executive Branch will be even further strengthened. It is the Administration viewpoint that Federal regional officials are much more tuned in to local problems than Washington is and can work much more effectively with State and local officials. The President's target for getting the Federal Regional Councils established was September of 1970. The target was met, but the Councils are still in the process of shaking down. However, the promise of the Federal Regional Councils for more coordinated and focussed attention to the peculiar development needs of each region we believe will be more fully realized when those Councils truly represent the fullest practical array of Federal domestic program resources.

To complete this picture, I turn to the contributions that can be made to an effective attack on the problems of rural-urban imbalance and rural development through the President's revenue sharing proposals.

The President's proposals, especially for rural development revenue sharing, and S. 10 share a common objective to increase efforts by Federal, State and local governments, and private individuals as well, to provide the economic base that is the vital prerequisite for vigorous self-sustaining growth. I intend only to provide a general picture of the implications on revenue sharing for rural development. I understand that Departmental officials went into considerable detail on revenue sharing in testimony before Senator Humphrey's Subcommittee on Rural Development last week. So I shall only touch upon it here.

The principle behind President Nixon's program to revitalize the American system of Government is that, given sufficient resources, our States and localities can be more directly responsive to the needs of the people than can the Federal Government. The cornerstone of this program is the President's proposal for giving broader and less conditional forms of financial assistance to State and local governments.

Under this new program, funds will be distributed to States for use in rural areas. The level of funding proposed for the first year is \$1.1 billion, which is \$179 million more than current year levels for programs folded into the package. The development projects appropriate for each community will be determined by State and local governments according to the needs of local areas and communities. Through this combination of special revenue sharing, local initiative, and local decision-making, rural areas can strengthen their economic enterprise, increase economic opportunity for their residents, and improve their communities. To determine the real effect of Rural Community Special Revenue Sharing, one must look at the entire package of Revenue Sharing Plans proposed by the President. In particular, I would note that the President's Urban Community Development Revenue Sharing proposal provides mechanisms whereby towns and smaller cities in rural America may also share in these revenues. We are proposing earmarking \$100 million for smaller communities.

The whole revenue sharing package will put more resources into rural areas. This is not only because more funds would be made available for rural areas, but because of the formula approach which neither requires nor puts a premium on "grantsmanship." As President Nixon noted in his message on Community Development Revenue Sharing, under the existing categorical system, local officials—

"must learn to play a terrible game called 'grantsmanship' in which the winners are those who understand the rules and intricacies of the Federal bureaucracy rather than those who understand the problem that needs to be solved. Many local governments now feel they must hire experts who have specialized in grantsmanship to carry on their dealings with Washington."

Small towns and rural areas have been at a disadvantage in playing this game. There are no prizes for grantsmanship under revenue sharing.

While the President's rural revenue sharing plan recognizes, through formula distribution of revenues, the existing demands for services of people now residing in rural America, it also lays heavy stress on helping States in areas that show characteristics of low income and/or high rates of population loss.

In essence, then, the rural development revenue sharing represents a powerful weapon by which States and their rural communities can directly attack their problems as they actually manifest themselves locally and with techniques and approaches that are workable locally.

However, the rural development revenue sharing proposal contains one further provision that will assist in mounting a cogent and coordinated attack on rural development problems on a Statewide basis, area by area. It reflects the kind of coordination of development that we have been trying to achieve under OMB Circular No. A-95 which I discussed earlier: will strengthen the States' movement to develop systems of sub-State planning districts which is already well underway.

This provision would have each State establish a Statewide system of multi-county planning districts, including metropolitan areas. The district organizations would be composed of local elected officials. Each district would appoint one representative to an advisory body to the Governor which would assist him in preparing a Statewide development plan outlining spending intentions in the various areas, urban and rural alike.

District and local development plans would be inputs into the State development plan which is a requirement for the rural development revenue sharing allocation, even though the plan is not subject to Federal approval. Such an approach would link urban and rural development interests within the framework of a balanced development strategy and would substantially strengthen the coordination of planning and development activities sought under Circular No. A-95.

In summary, then, I believe that in terms of what coordination activities are presently going on, in terms of Domestic Council deliberations on a National growth strategy, and in terms of the potentials inherent in the President's proposals for reorganization of the Executive Branch and his revenue-sharing package, we have a broad potential for a coordinated and comprehensive attack on the problems besetting rural areas.

These are not complete answers to the problems of rural development. Not by any means. But they are not fragmentary answers. They are unifying. They do not address the problems of rural areas as if those rural areas were something apart like those of a foreign nation, but as problems that are integral to the whole question of our National growth and economical and social survival.

I hope that the Committee will give consideration to these perspectives in evaluating proposals such as S. 10 and in the course of considering various parts of the President's legislative program.

EXHIBIT 1

EXECUTIVE OFFICE OF THE PRESIDENT,
OFFICE OF MANAGEMENT AND BUDGET,
Washington, D.C., February 9, 1971.

Subject: Evaluation, review, and coordination of Federal and federally assisted programs and projects

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

1. *Purpose.* This Circular furnishes guidance to Federal agencies for added cooperation with State and local governments in the evaluation, review, and coordination of Federal assistance programs and projects. The Circular promulgates regulations (Attachment A) which provide, in part, for:

a. Encouraging the establishment of a project notification and review system to facilitate coordinated planning on an intergovernmental basis for certain Federal assistance programs in furtherance of section 204 of the Demonstration Cities and Metropolitan Development Act of 1966 and Title IV of the Intergovernmental Cooperation Act of 1968 (Attachment B).

b. Coordination of direct Federal development programs and projects with State, regional, and local planning and programs pursuant to Title IV of the Intergovernmental Cooperation Act of 1968.

c. Securing the comments and views of State and local agencies which are authorized to develop and enforce environmental standards on certain Federal or federally assisted projects affecting the environment pursuant to section 102(2) (C) of the National Environmental Policy Act of 1969 (Attachment C) and regulations of the Council on Environmental Quality.

This Circular supersedes Circular No. A-95, dated July 24, 1969, as amended by Transmittal Memorandum No. 1, dated December 27, 1969. It will become effective April 1, 1971.

2. *Basis.* This Circular has been prepared pursuant to:

a. Section 401(a) of the Intergovernmental Cooperation Act of 1968 which provides, in part, that

"The President shall . . . establish rules and regulations governing the formulation, evaluation, and review of Federal programs and projects having a significant impact on area and community development . . ."

and the President's Memorandum of November 8, 1968, to the Director of the Bureau of the Budget ("Federal Register," Vol. 33, No. 221, November 13, 1968) which provides:

"By virtue of the authority vested in me by section 301 of title 3 of the United States Code and section 401(a) of the Intergovernmental Cooperation Act of 1968 (Public Law 90-577), I hereby delegate to you the authority vested in the President to establish the rules and regulations provided for in that section governing the formulation, evaluation, and review of Federal programs and projects having a significant impact on area and community development, including programs providing Federal assistance to the States and localities, to the end that they shall most effectively serve these basic objectives.

"In addition, I expect the Bureau of the Budget to generally coordinate the actions of the departments and agencies in exercising the new authorizations provided by the Intergovernmental Cooperation Act, with the objective of consistent and uniform action by the Federal Government."

b. Title IV, section 403, of the Intergovernmental Cooperation Act of 1968 which provides that:

"The Bureau of the Budget, or such other agency as may be designated by the President, shall prescribe such rules and regulations as are deemed appropriate for the effective administration of this Title."

c. Section 204 (c) of the Demonstration Cities and Metropolitan Development Act of 1966 which provides that:

"The Bureau of the Budget, or such other agency as may be designated by the President, shall prescribe such rules and regulations as are deemed appropriate for the effective administration of this section," and

d. Reorganization Plan No. 2 of 1970 and Executive Order No. 11541 of July 1, 1970, which vest all functions of the Bureau of the Budget or the Director of the Bureau of the Budget in the Director of the Office of Management and Budget.

3. *Coverage.* The regulations promulgated by this Circular (Attachment A) will have applicability to:

a. Under Part I, all projects (or significant changes thereto) for which Federal assistance is being sought under the programs listed in Attachment D. Limitations and provision for exceptions are noted therein.

b. Under Part II, all direct Federal development activities, including the acquisition, use, and disposal of Federal real property.

c. Under Part III, all Federal programs requiring, by statute or administrative regulation, a State plan as a condition of assistance.

d. Under Part IV, all Federal programs providing assistance to State, local, and regional projects and activities that are planned on a multijurisdictional basis.

4. *Inquiries.* Inquiries concerning this Circular may be addressed to the Office of Management and Budget, Washington, D.C. 20503, telephone (202) 395-3031 (Government dial code 103-3031).

GEORGE P. SHULTZ, *Director.*

Attachments.

(Attachment A)

Circular No. A-95 Revised

REGULATIONS UNDER SECTION 204 OF THE DEMONSTRATION CITIES AND METROPOLITAN DEVELOPMENT ACT OF 1966, TITLE IV OF THE INTERGOVERNMENTAL COOPERATION ACT OF 1968, AND SECTION 102(2) (C) OF THE NATIONAL ENVIRONMENTAL POLICY ACT OF 1969

PART I: PROJECT NOTIFICATION AND REVIEW SYSTEM

1. Purpose

The purpose of this Part is to:

- a. Further the policies and directives of Title IV of the Intergovernmental Cooperation Act of 1968 by encouraging the establishment of a network of State, regional, and metropolitan planning and development clearinghouses which will aid in the coordination of Federal or federally assisted projects and programs with State, regional, and local planning for orderly growth and development;
- b. Implement the requirements of section 204 of the Demonstration Cities and Metropolitan Development Act of 1966 for metropolitan areas within that network.
- c. Implement, in part, requirements of section 102(2) (C) of the National Environmental Policy Act of 1969, which require State and local views of the environmental impact of Federal or federally assisted projects;
- d. Encourage, by means of early contact between applicants for Federal assistance and State and local governments and agencies, and expeditious process of intergovernmental coordination and review of proposed projects.

2. Notification

a. Any agency of State or local government or any organization or individual undertaking to apply for assistance to a project under a Federal program listed in Attachment D will be required to notify the planning and development clearinghouse of the State (or States) and the region, if there is one, or of the metropolitan area in which the project is to be located, of its intent to apply for assistance will be sought. The summary description will contain the following information:

- (1) Identity of the applicant agency, organization, or individual.
- (2) The geographic location of the project to be assisted.
- (3) A brief description of the proposed project by type, purpose, general size or scale, estimated cost, beneficiaries, or other characteristics which will enable the clearinghouses to identify agencies of State or local government having plans, programs, or projects that might be affected by the proposed projects.
- (4) A brief statement of whether or not an environmental impact statement is required and, if so, an indication of the nature and extent of environmental impact anticipated.
- (5) The Federal program and agency under which assistance will be sought as indicated in the *Catalog of Federal Domestic Assistance* (April 1970 and subsequent editions).
- (6) The estimated date by which time the applicant expects to formally file an application.

Many clearinghouses have developed notification forms and instructions. Applicants are urged to contact their clearinghouses for such information in order to expedite clearinghouse review.

b. In order to assure maximum time for effective coordination and so as not to delay the timely submission of the completed application to the Federal agency, such notifications should be sent at the earliest feasible time.

3. Clearinghouse functions

Clearinghouse functions include:

- a. Evaluating the significance of proposed Federal or federally assisted projects to State, areawide or local plans and programs, as appropriate.
- b. Receiving and disseminating project notifications to appropriate State agencies in the case of the State clearinghouse and to appropriate local governments and agencies in the case of regional or metropolitan clearinghouses; and providing liaison, as may be necessary, between such agencies or bodies and the applicant.

c. Assuring, pursuant to section 102(2)(C) of the National Environmental Policy Act of 1969, that appropriate State, metropolitan, regional, or local agencies which are authorized to develop and enforce environmental standards are informed of and are given opportunity to review and comment on the environmental significance of proposed projects for which Federal assistance is sought.

d. Providing, pursuant to Part II of these regulations, liaison between Federal agencies contemplating direct Federal development projects and the State or areawide agencies or local governments having plans or programs that might be affected by the proposed project.

4. Consultation and review

a. State, metropolitan, and regional clearinghouses may have a period of 30 days after receipt of a project notification in which to inform State agencies, other local or regional bodies, etc., that may be affected by the project (including agencies authorized to develop and enforce environmental standards) and to arrange, as may be necessary, to consult with the applicant on the proposed project.

b. During this period and during the period in which the application is being completed, the clearinghouse may work with the applicant in the resolution of any problems raised by the proposed project.

c. Clearinghouses may have, if necessary, an additional 30 days to review the completed application and to transmit to the applicant any comments or recommendations the clearinghouse (or others) may have.

d. In the case of a project for which Federal assistance is sought by a special purpose unit of government, clearinghouses will assure that any unit of general local government, having jurisdiction over the area in which the project is to be located, has opportunity to confer, consult, and comment upon the project and the application.

e. Applicants will include with the completed application as submitted to the Federal agency:

(1) Any comments and recommendations made by or through clearinghouses, along with a statement that such comments have been considered prior to submission of the application; or

(2) A statement that the procedures outlined in this section have been followed and that no comments or recommendations have been received.

f. Where regional or metropolitan areas are contiguous, coordinative arrangements should be established between the clearinghouses in such areas to assure that projects in one area which may have an impact on the development of a contiguous area are jointly studied. Any comments and recommendations made by or through a clearinghouse in one area on a project in a contiguous area will accompany the application for assistance to that project.

5. Subject matter of comments and recommendations

Comments and recommendations made by or through clearinghouses with respect to any project are for the purpose of assuring maximum consistency of such project with State, regional and local comprehensive plans. They are also intended to assist the Federal agency (or State agency, in the case of projects for which the State under certain Federal grants has final project approval) administering such a program in determining whether the project is in accord with applicable Federal law. Comments or recommendations, as may be appropriate, may include information about:

a. The extent to which the project is consistent with or contributes to the fulfillment of comprehensive planning for the State, region, metropolitan area, or locality.

b. The extent to which the project contributes to the achievement of State, regional, metropolitan, and local objectives as specified in section 401(a) of the Intergovernmental Cooperation Act of 1968, as follows:

(1) Appropriate land uses for housing, commercial, industrial, governmental, institutional, and other purposes;

(2) Wise development and conservation of natural resources, including land, water, minerals, wildlife, and others;

(3) Balanced transportation systems, including highway, air, water, pedestrian, mass transit, and other modes for the movement of people and goods;

(4) Adequate outdoor recreation and open space;

- (5) Protection of areas of unique natural beauty, historical and scientific interest;
 - (6) Properly planned community facilities, including utilities for the supply of power, water, and communications, for the safe disposal of wastes, and for other purposes; and
 - (7) Concern for high standards of design.
- c. As provided under section 102(2) (C) of the National Environmental Policy Act of 1969, the extent to which the project significantly affects the environment including consideration of:
- (1) The environmental impact of the proposed project;
 - (2) Any adverse environmental effects which cannot be avoided should the proposed project be implemented;
 - (3) Alternatives to the proposed project;
 - (4) The relationship between local short term uses of man's environment and the maintenance and enhancement of long term productivity; and
 - (5) Any irreversible and irretrievable commitments of resources which would be involved in the proposed project or action, should it be implemented.
- d. In the case of a project for which assistance is being sought by a special purpose unit of government, whether the unit of general local government having jurisdiction over the area in which the project is to be located has applied, or plans to apply for assistance for the same or similar type project. This information is necessary to enable the Federal (or State) agency to make the judgments required under section 402 of the Intergovernmental Cooperation Act of 1968.

6. Federal agency procedures

Federal agencies having programs covered under this Part (see Attachment D) will develop appropriate procedures for:

- a. Informing potential applicants for assistance under such programs of the requirements of this Part (1) in program information materials, (2) in response to inquiries respecting application procedures, (3) in pre-application conferences, or (4) by other means which will assure earliest contact between applicant and clearinghouses.
- b. Assuring that all applications for assistance under programs covered by this part have been submitted to appropriate clearinghouses for review.
- c. Notifying clearinghouses within seven days of any action (approvals, disapprovals, return for amendment, etc.) taken on applications that have been reviewed by such clearinghouses. Where a State clearinghouse has assigned an identification number to an application, the Federal agency will refer to such identification number in notifying clearinghouses of actions taken on the application.
- d. Assuring, in the case of an application submitted by a special purpose unit of government, where accompanying comments indicate that the unit of general local government having jurisdiction over the area in which the project is to be located has submitted or plans to submit an application for assistance for the same or a similar type project, that appropriate considerations and preferences as specified in section 402 of the Intergovernmental Cooperation Act of 1968, are accorded the unit of general local government. Where such preference cannot be so accorded, the agency shall supply, in writing, to the unit of general local government and the Office of Management and Budget its reasons therefor.

7. HUD housing programs

Because of the unique nature of the application and development process for the housing programs of the Department of Housing and Urban Development, a variation of the review procedure is necessary. For HUD programs in the 14.100 series listed in Attachment D, the following procedure for review will be followed:

- a. The HUD Area or Insuring Office will transmit to the appropriate State clearinghouse and metropolitan or regional clearinghouse a copy of the initial application for HUD program approval.
- b. The clearinghouses will have 15 days to review the applications and to forward to the Area or Insuring Office any comments which they may have, including observations concerning the consistency of the proposed project with State and areawide development plans and identification of major environmental concerns. Processing of applications in the Area or Insuring Office will proceed concurrently with the clearinghouse review.

c. This procedure will include only applications involving new construction and will apply to:

- (1) Subdivisions having 50 or more lots involving any HUD home mortgage insurance program.
- (2) Multifamily projects having 100 or more dwelling units under any HUD mortgage insurance program, or under conventional or turnkey public housing programs.
- (3) Mobile home courts with 100 or more spaces.
- (4) College housing provided under the debt service or direct loan programs for 200 or more students.

All other applications for assistance under the HUD programs in the 14.100 series listed in Attachment D are exempt from the requirements of this Circular.

8. Reports and directories

- a. The Director of the Office of Management and Budget may require reports, from time to time, on the implementation of this Part.
- b. The Office of Management and Budget will maintain and distribute to appropriate Federal agencies a directory of State, regional, and metropolitan clearinghouses.
- c. The Office of Management and Budget will notify clearinghouses and Federal agencies of any excepted categories of projects under programs listed in Attachment D.

PART II: DIRECT FEDERAL DEVELOPMENT

1. Purpose

The purpose of this Part is to:

- a. Provide State and local government with information on projected Federal development so as to facilitate coordination with State, regional and local plans and programs.
- b. Provide Federal agencies with information on the relationship of proposed direct Federal development projects and activities to State, regional, and local plans and programs; and to assure maximum feasible consistency of Federal developments with State, regional, and local plans and programs.
- c. Provide Federal agencies with information on the possible impact on the environment of proposed Federal development.

2. Coordination of direct Federal development projects with State, regional, and local development

a. Federal agencies having responsibility for the planning and construction of Federal buildings and installations or other Federal public works or development or for the acquisition, use, and disposal of Federal land and real property will establish procedures for:

- (1) Consulting with Governors, regional and metropolitan clearinghouses, and local elected officials at the earliest practicable stage in project or development planning on the relationship of any plan or project to the development plans and programs of the State, region, or localities in which the project is to be located.

(2) Assuring that any such Federal plan or project is consistent or compatible with State, regional, and local development plans and programs identified in the course of such consultations. Exceptions will be made only where there is clear justification.

(3) Providing State, metropolitan, regional, and local agencies which are authorized to develop and enforce environmental standards with adequate opportunity to review such Federal plans and projects pursuant to section 102(2)(C) of the National Environmental Policy Act of 1969. Any comments of such agencies will accompany the environmental impact statement submitted by the Federal agency.

3. Use of clearinghouses

The State, regional, and metropolitan planning and development clearinghouses established pursuant to Part I will be utilized to the greatest extent practicable to effectuate the requirements of this Part. Agencies are urged to establish early contact with clearinghouses to work out arrangements for carrying out the consultation and review required under this Part, including identification of types of projects considered appropriate for consultation and review.

PART III: STATE PLANS

1. Purpose

The purpose of this Part is to provide Federal agencies with information about the relationship of State plans required under various Federal programs to State comprehensive planning and to other State plans.

2. Review of State plans

To the extent not presently required by statute or administrative regulation, Federal agencies administering programs requiring by statute or regulation a State plan as a condition of assistance under such programs will require that the Governor be given the opportunity to comment on the relationship of such State plan to comprehensive and other State plans and programs. Governors will be afforded a period of forty-five days in which to make such comments, and any such comments will be transmitted with the plan.

3. State plan

A State plan under this Part is defined to include any required supporting reports or documentation that indicate the programs, projects, and activities for which Federal funds will be utilized.

PART IV: COORDINATION OF PLANNING IN MULTIJURISDICTIONAL AREAS

1. Policies and objectives

The purposes of this Part are:

- a. To encourage and facilitate State and local initiative and responsibility in developing organizational and procedural arrangements for coordinating comprehensive and functional planning activities.
- b. To eliminate overlap, duplication, and competition in State and local planning activities assisted or required under Federal programs and to encourage the most effective use of State and local resources available for development planning.
- c. To minimize inconsistency among Federal administrative and approval requirements placed on State, regional, and metropolitan development planning activities.
- d. To encourage the States to exercise leadership in delineating and establishing a system of planning and development districts or regions in each State, which can provide a consistent geographic base for the coordination of Federal, State and local development programs.

2. Common or consistent planning and development districts or regions

Prior to the designation or redesignation (or approval thereof) of any planning and development district or region under any Federal program, Federal agency procedures will provide a period of thirty days for the Governor(s) of the State(s) in which the district or region will be located to review the boundaries thereof and comment upon its relationship to planning and development districts or regions established by the State. Where the State has established such planning and development districts, the boundaries of designated areas will conform to them unless there is clear justification for not doing so. Where the State has not established planning and development districts or regions which provide a basis for evaluation of the boundaries of the area proposed for designation, major units of general local government and Federal agencies administering related programs in such area will also be consulted prior to designation of the area to assure consistency with districts established under interlocal agreement and under related Federal programs.

3. Common and consistent planning bases and coordination of related activities in multijurisdictional areas

Each agency will develop checkpoint procedures and requirements for applications for planning and development assistance under appropriate programs to assure the fullest consistency and coordination with related planning and development being carried on under other Federal programs or under State and local programs in any multijurisdictional areas.

The checkpoint procedures will incorporate provisions covering the following points:

- a. Identification by the applicant of planning activities being carried on for related programs within a multijurisdictional area, including those covering a

larger area within which such multijurisdictional area is located, subareas of the area, and areas overlapping the multijurisdictional area. Metropolitan or regional clearinghouses established under Part I of this Circular, may assist in providing such identification.

b. Evidence of explicit organizational or procedural arrangements that have been or are being established by the applicant to assure maximum coordination of planning for such related functions, programs, projects and activities within the multijurisdictional area. Such arrangements might include joint or common boards of directors or planning staffs, umbrella organizations, common referral or review procedures, information exchanges, etc.

c. Evidence of cooperative arrangements that have been or are being made by the applicant respecting joint or common use of planning resources (funds, personnel, facilities, and services, etc.) among related programs within the area; and

d. Evidence that planning being assisted will proceed from base data, statistics, and projections (social, economic, demographic, etc.) and assumptions that are common to or consistent with those being employed for planning related activities within the area.

4. Joint funding

Where it will enhance the quality, comprehensive scope, and coordination of planning in multijurisdictional areas, Federal agencies will, to the extent practicable provide for joint funding of planning activities being carried on therein.

5. Coordination of agency procedures and requirements

With respect to the steps called for in paragraphs 2 and 3 of this Part, departments and agencies will develop for relevant programs appropriate draft procedures and requirements. Copies of such drafts will be furnished to the Director of the Office of Management and Budget and to the heads of departments and agencies administering related programs. The Office, in consultation with the agencies, will review the draft procedures to assure the maximum obtainable consistency among them.

PART V: DEFINITIONS

Terms used in this Circular will have the following meanings:

1. *Federal agency*—any department, agency, or instrumentality in the executive branch of the Government and any wholly owned Government corporation.

2. *State*—any of the several States of the United States, the District of Columbia, Puerto Rico, any territory or possession of the United States, or any agency or instrumentality of a State, but does not include the governments of the political subdivisions of the State.

3. *Unit of general local government*—any city, county, town, parish, village, or other general purpose political subdivision of a State.

4. *Special purpose unit of local government*—any special district, public purpose corporation, or other strictly limited purpose political subdivision of a State, but shall not include a school district.

5. *Federal assistance, Federal financial assistance, Federal assistance programs, or federally assisted programs*—programs that provide assistance through grant or contractual arrangements. They include technical assistance programs, or programs providing assistance in the form of loans, loan guarantees, or insurance. The terms does not include any annual payment by the United States to the District of Columbia authorized by article VI of the District of Columbia Revenue Act of 1947 (D.C. Code sec. 47-2501a and 47-2501b).

6. *Comprehensive planning*, to the extent directly related to area needs or needs of a unit of general local government, includes the following:

a. Preparation, as a guide for governmental policies and action, of general plans with respect to:

(1) Pattern and intensity of land use.

(2) Provision of public facilities (including transportation facilities) and other government services.

(3) Effective development and utilization of human and natural resources.

b. Preparation of long range physical and fiscal plans for such action.

c. Programming of capital improvements and other major expenditures, based on a determination of relative urgency, together with definitive financing plans for such expenditures in the earlier years of the program.

d. Coordination of all related plans and activities of the State and local governments and agencies concerned.

e. Preparation of regulatory and administrative measures in support of the foregoing.

7. *Metropolitan area*—a standard metropolitan statistical area as established by the Office of Management and Budget, subject, however, to such modifications and extensions as the Office of Management and Budget may determine to be appropriate for the purposes of section 204 of the Demonstration Cities and Metropolitan Development Act of 1966, and these Regulations.

8. *Area-wide agency*—an official State or metropolitan or regional agency empowered under State or local laws or under an interstate compact or agreement to perform comprehensive planning in an area; an organization of the type referred to in section 701(g) of the Housing Act of 1954; or such other agency or instrumentality as may be designated by the Governor (or, in the case of metropolitan areas crossing State lines, any one or more of such agencies or instrumentalities as may be designated by the Governors of the States involved) to perform such planning.

9. *Planning and development clearinghouse or clearinghouse* includes:

a. An agency of the State Government designated by the Governor or by State law.

b. A nonmetropolitan regional comprehensive planning agency (herein referred to as "regional clearinghouse") designated by the Governor (or Governors in the case of regions extending into more than one State) or by State law.

c. A metropolitan areawide agency that has been recognized by the Office of Management and Budget as an appropriate agency to perform review functions under section 204 of the Demonstration Cities and Metropolitan Development Act of 1966.

10. *Multijurisdictional area*—any geographical area comprising, encompassing, or extending into more than one unit of general local government.

11. *Planning and development district or region*—a multijurisdictional area that has been formally designated or recognized as an appropriate area for planning under State law or Federal program requirements.

12. *Direct Federal development*—planning and construction of public works, physical facilities, and installations or land and real property development (including the acquisition, use, and disposal of real property) undertaken by or for the use of the Federal Government or any of its agencies.

(Attachment B)

SECTION 204 OF THE DEMONSTRATION CITIES AND METROPOLITAN DEVELOPMENT ACT OF 1966, AS AMENDED (80 STAT. 1263, 82 STAT. 208)

"Sec. 204. (a) All applications made after June 30, 1967 for Federal loans or grants to assist in carrying out open-space land projects or for planning or construction of hospitals, airports, libraries, water supply and distribution facilities, sewerage facilities and waste treatment works, highways, transportation facilities, law enforcement facilities, and water development and land conservation projects within any metropolitan area shall be submitted for review—

"(1) to any areawide agency which is designated to perform metropolitan or regional planning for the area within which the assistance is to be used, and which is, to the greatest practicable extent, composed of or responsible to the elected officials of a unit of areawide government or of the units of general local government within whose jurisdiction such agency is authorized to engage in such planning; and

"(2) if made by a special purpose unit of local government, to the unit or units of general local government with authority to operate in the area within which the project is to be located.

"(b) (1) Except as provided in paragraph (2) of this subsection, each application shall be accompanied (A) by the comments and recommendations with respect to the project involved by the areawide agency and governing bodies of the units of general local government to which the application has been submitted for review, and (B) by a statement by the applicant that such comments and recommendations have been considered prior to formal submission of the application. Such comments shall include information concerning the extent to which the project is consistent with comprehensive planning developed or in the process of development for the metropolitan area or the unit of general local government, as the case may be, and the extent to which such project contributes to the fulfillment of such planning. The comments and recommenda-

tions and the statement referred to in this paragraph shall, except in the case referred to in paragraph (2) of this subsection, be reviewed by the agency of the Federal Government to which such application is submitted for the sole purpose of assisting it in determining whether the application is in accordance with the provisions of Federal law which govern the making of the loans or grants.

"(2) An application for a Federal loan or grant need not be accompanied by the comments and recommendations and the statements referred to in paragraph (1) of this subsection, if the applicant certifies that a plan or description of the project, meeting the requirements of such rules and regulations as may be prescribed under subsection (c), or such application, has lain before an appropriate areawide agency or instrumentality or unit of general local government for a period of sixty days without comments or recommendations thereon being made by such agency or instrumentality.

"(3) The requirements of paragraphs (1) and (2) shall also apply to any amendment of the application which, in light of the purposes of this title, involves a major change in the project covered by the application prior to such amendment.

"(c) The Bureau of the Budget, or such other agency as may be designated by the President, is hereby authorized to prescribe such rules and regulations as are deemed appropriate for the effective administration of this section."

TITLE IV OF THE INTERGOVERNMENTAL COOPERATION ACT OF 1968 (82 STAT. 1103)

TITLE IV—COORDINATED INTERGOVERNMENTAL POLICY AND ADMINISTRATION OF DEVELOPMENT ASSISTANCE PROGRAMS

DECLARATION OF DEVELOPMENT ASSISTANCE POLICY

Sec. 401. (a) The economic and social development of the Nation and the achievement of satisfactory levels of living depend upon the sound and orderly development of all areas, both urban and rural. Moreover, in a time of rapid urbanization, the sound and orderly development of urban communities depends to a large degree upon the social and economic health and the sound development of smaller communities and rural areas. The President shall, therefore, establish rules and regulations governing the formulation, evaluation, and review of Federal programs and projects having a significant impact on area and community development, including programs providing Federal assistance to the States and localities, to the end that they shall most effectively serve these basic objectives. Such rules and regulations shall provide for full consideration of the concurrent achievement of the following specific objectives and, to the extent authorized by law, reasoned choices shall be made between such objectives when they conflict:

(1) Appropriate land uses for housing, commercial, industrial, governmental, institutional, and other purposes;

(2) Wise development and conservation of natural resources, including land, water, minerals, wildlife, and others;

(3) Balanced transportation systems, including highway, air, water, pedestrian, mass transit, and other modes for the movement of people and goods;

(4) Adequate outdoor recreation and open space;

(5) Protection of areas of unique natural beauty, historical and scientific interest;

(6) Properly planned community facilities, including utilities for the supply of power, water, and communications, for the safe disposal of wastes, and for other purposes; and

(7) Concern for high standards of design.

(b) All viewpoints—national, regional, State and local—shall, to the extent possible, be fully considered and taken into account in planning Federal or federally assisted development programs and projects. State and local government objectives, together with the objectives of regional organizations shall be considered and evaluated within a framework of national public objectives, as expressed in Federal law, and available projections of future national conditions and needs of regions, States, and localities shall be considered in plan formulation, evaluation, and review.

(c) To the maximum extent possible, consistent with national objectives, all Federal aid for development purposes shall be consistent with and further the objectives of State, regional, and local comprehensive planning. Consideration shall be given to all developmental aspects of the total national community,

including but not limited to housing, transportation, economic development, natural and human resources development, community facilities, and the general improvement of living environments.

(d) Each Federal department and agency administering a development assistance program shall, to the maximum extent practicable, consult with and seek advice from all other significantly affected Federal departments and agencies in an effort to assure fully coordinated programs.

(e) Insofar as possible, systematic planning required by individual Federal programs (such as highway construction, urban renewal, and open space) shall be coordinated with and, to the extent authorized by law, made part of comprehensive local and areawide development planning."

FAVORING UNITS OF GENERAL LOCAL GOVERNMENT

Sec. 402. Where Federal law provides that both special-purpose units of local government and units of general local government are eligible to receive loans or grants-in-aid, heads of Federal departments and agencies shall, in the absence of substantial reasons to the contrary, make such loans or grants-in-aid to units of general local government rather than to special-purpose units of local government.

RULES AND REGULATIONS

Sec. 403. The Bureau of the Budget, or such other agency as may be designated by the President, is hereby authorized to prescribe such rules and regulations as are deemed appropriate for the effective administration of this title.

(Attachment C)

SECTION 102 (2) (C) OF THE NATIONAL ENVIRONMENTAL POLICY ACT OF 1969 (83 STAT. 853)

Sec. 102. The Congress authorizes and directs that, to the fullest extent possible: (1) the policies, regulations, and public laws of the United States shall be interpreted and administered in accordance with the policies set forth in this Act, and (2) all agencies of the Federal Government shall—...

(C) include in every recommendation or report on proposals for legislation and other major Federal actions significantly affecting the quality of the human environment, a detailed statement by the responsible official on—

- (i) the environmental impact of the proposed action,
- (ii) any adverse environmental effects which cannot be avoided should the proposal be implemented,
- (iii) alternatives to the proposed action,
- (iv) the relationship between local short-term use of man's environment and the maintenance and enhancement of long-term productivity, and
- (v) any irreversible or irretrievable commitments of resources which would be involved in the proposed action should it be implemented.

Prior to making any detailed statement, the responsible Federal official shall consult with and obtain the comments of any Federal agency which has jurisdiction by law or special expertise with respect to any environmental impact involved. Copies of such statement and the comments and views of the appropriate Federal, State, and local agencies, which are authorized to develop and enforce environmental standards, shall be made available to the President, the Council on Environmental Quality and to the public as provided by section 552 of Title 5, United States Code, and shall accompany the proposal through the existing agency review processes; ...

(Attachment D)

COVERAGE OF PROGRAMS UNDER ATTACHMENT A, PART I

1. Programs are listed below pursuant to section 204 of the Demonstration Cities and Metropolitan Development Act of 1966 and the Intergovernmental Cooperation Act of 1968. They are referenced by *Catalog of Federal Domestic Assistance* identification numbers.

2. Heads of Federal departments and agencies may, with the concurrence of the Office of Management and Budget, exclude certain categories of projects or ac-

tivities under listed programs from the requirements of Attachment A, Part I. OMB concurrence will be based on the following criteria:

- a. Lack of geographic identifiability with respect to location or impact (e.g., certain types of technical studies);
 - b. Small scale or size;
 - c. Essentially local impact (within the applicant jurisdiction); and
 - d. Other characteristics that make review impractical. OMB will notify clearinghouses of such exclusions.
- * Covered programs:

Department of Agriculture

Farmers Home Administration

- 10.400 Comprehensive Areawide Water and Sewer Planning Grants.
- 10.409 Irrigation, Drainage and Other Soil and Conservation Loans.
- 10.412 Recreation Association Loans.
- 10.414 Resource Conservation and Development Loans.
- 10.418 Water and Waste Disposal Systems for Rural Communities.
- 10.419 Watershed Protection and Flood Prevention Loans

Soil Conservation Service

- 10.901 Resource Conservation & Development.
- 10.904 Watershed Protection & Flood Prevention.

Department of Commerce

Economic Development Administration

- 11.300 Economic Development—Grants and Loans for Public Works and Development Facilities.
- 11.302 Economic Development—Planning Assistance.
- 11.303 Economic Development—Technical Assistance.

Department of Defense

Department of the Army, Office of the Chief of Engineers

- 12.101 Beach Erosion Control
- 12.106 Small Flood Control Projects
- 12.107 Small Navigation Projects
- 12.108 Snagging and Clearing for Flood Control

Department of Health, Education, and Welfare

Environmental Health Service

- 13.001 Air Pollution Control Program Grants (Planning Only) ¹
- 13.014 Solid Wastes Demonstration Grants ¹
- 13.015 Solid Wastes Planning Grants ¹

Health services and mental health administration

- 13.206 Comprehensive Health Planning—Areawide Grants
- 13.219 Health Facilities Construction—Diagnostic and Treatment Centers
- 13.220 Health Facilities Construction—Hospitals and Public Health Centers
- 13.221 Health Facilities Construction—Long-Term Care Facilities
- 13.222 Health Facilities Construction—Rehabilitation Facilities
- 13.235 Mental Health—Community Assistance Grants for Narcotic Addiction (Construction Only)
- 13.236 Mental Health—Construction of Community Mental Health Centers
- 13.249 Regional Medical Programs—Operational and Planning Grants (Planning and Construction Only)

National institutes of health

- 13.340 Health Professions Facilities Construction
- 13.350 Medical Library Assistance—Regional Medical Libraries
- 13.369 Schools of Nursing—Facilities Construction

¹These programs are administered by the new Environmental Protection Agency for which there is as yet no separate Catalog listing.

Office of education

- 13.408 Construction of Public Libraries
- 13.456 Higher Education Academic Facilities—State Comprehensive Planning
- 13.457 Higher Education Academic Facilities Construction—Interest Subsidization
- 13.458 Higher Education Academic Facilities Construction—Public and Private Colleges and Universities
- 13.459 Higher Education Academic Facilities Construction—Public Community Colleges and Technical Institutes
- 13.477 School Assistance in Federally Affected Areas—Construction
- 13.487 Supplementary Education Centers and Services (Construction Only)
- 13.493 Vocational Education—Basic Grants to States (Construction Only)

Social and rehabilitation service

- 13.711 Juvenile Delinquency Planning, Prevention, and Rehabilitation (Planning and Construction Only)
- 13.716 Mental Retardation Community Facilities Construction
- 13.746 Vocational Rehabilitation Services—Basic Support (Construction Only)

*Department of housing and urban development**Housing production and mortgage credit/FHA*

(NOTE: The following programs are subject to the limitations and procedures set forth in paragraph 7, Part I, of the Circular.)

- 14.100 College Housing Debt Service
- 14.101 College Housing Direct Loans
- 14.103 Interest Reduction Payments—Rental and Cooperative Housing for Lower Income Families (236)
- 14.105 Interest Subsidy—Homes for Lower Income Families (235(i))
- 14.112 Mortgage Insurance—Construction or Rehabilitation of Condominium Projects (234(d))
- 14.115 Mortgage Insurance—Development of Sales Type Cooperative Projects (213)
- 14.117 Mortgage Insurance—Homes (203(b))
- 14.118 Mortgage Insurance—Homes for Certified Veterans (203(b))
- 14.119 Mortgage Insurance—Homes for Disaster Victims (203(h))
- 14.120 Mortgage Insurance—Homes for Low and Moderate Income Families (221(d)(2))
- 14.121 Mortgage Insurance—Homes in Outlying Areas (203(i))
- 14.122 Mortgage Insurance—Homes in Urban Renewal Areas (220 homes)
- 14.124 Mortgage Insurance—Investor Sponsored Cooperative Housing (213)
- 14.125 Mortgage Insurance—Land Development and New Communities (Little X)
- 14.126 Mortgage Insurance—Management Type Cooperative Projects (213)
- 14.127 Mortgage Insurance—Mobile Home Courts (207)
- 14.134 Mortgage Insurance—Rental Housing (207)
- 14.135 Mortgage Insurance—Rental Housing for Low and Moderate Income Families (221(d)(4))
- 14.136 Mortgage Insurance—Rental Housing for Low and Moderate Income Families—Below Market Interest Rate (221(d)(3))
- 14.137 Mortgage Insurance—Rental Housing for Low and Moderate Income Families, Market Interest Rate (221(d)(3))
- 14.138 Mortgage Insurance—Rental Housing for the Elderly (231)
- 14.139 Mortgage Insurance—Rental Housing in Urban Renewal Areas (220)
- 14.146 Public Housing—Acquisition, Construction, Rehabilitation (New Construction Only)
- 14.146 Rent Supplements—Rental Housing for Low Income Families

Metropolitan planning and development

- 14.200 Basic Water and Sewer Facilities—Grants
- 14.203 Comprehensive Planning Assistance
- 14.204 Historic Preservation Grants
- 14.207 New Communities—Loan Guarantees
- 14.208 New Communities—Supplementary Grants
- 14.209 Open Space Land Acquisition and Development Grants
- 14.210 Public Facility Loans
- 14.214 Urban Systems Engineering Demonstration Grants

Model cities administration

- 14.300 Model Cities Supplementary Grants

Renewal and housing management

- 14.602 Community Renewal Planning Grants
- 14.606 Neighborhood Development
- 14.609 Urban Renewal Projects

*Department of the Interior**Bureau of Outdoor Recreation*

- 15.400 Outdoor Recreation—Financial Assistance
- 14.401 Outdoor Recreation Planning—Financial Assistance

Bureau of Reclamation

- 15.501 Irrigation and Drainage Systems Loans
- 15.503 Small Reclamation Projects

Federal Water Pollution Control Administration

- 15.700 Construction Grants for Wastewater Treatment Works¹
- 15.701 Water Pollution Control—Comprehensive Basin Planning Grants¹
- 15.707 Water Pollution Control—State and Interstate Program Grants¹

National Park Service

- 15.904 Historic Preservation

*Department of Justice**Law Enforcement Assistance Administration*

- 16.500 Law Enforcement Assistance—Comprehensive Planning
- 16.501 Law Enforcement Assistance—Discretionary Grants
- 16.502 Law Enforcement Assistance—Improving and Strengthening Law Enforcement

*Department of Labor**Manpower Administration*

- 17.205 Cooperative Area Manpower Planning System

*Department of Transportation**Federal Aviation Administration*

- 20.102 Airport Development Aid Program

Federal Highway Administration

- 20.201 Forest Highways
- 20.204 Highway Beautification—Landscaping and Scenic Enhancement
- 20.205 Highway Planning and Construction
- 20.206 Highway Planning and Research Studies
- 20.209 Public Lands Highways
- 20.211 Traffic Operations Program to Increase Capacity and Safety (Construction Only)

¹ These programs are administered by the new Environmental Protection Agency for which there is as yet no separate Catalog listing.

Urban Mass Transportation Administration

- 20.500 Urban Mass Transportation Capital Improvement Grants (Planning & Construction Only)
- 20.501 Urban Mass Transportation Capital Improvement Loans (Planning & Construction Only)
- 20.505 Urban Mass Transportation Technical Studies Grants (Planning & Construction Only)

Appalachian Regional Commission

- 23.003 Appalachian Development Highway System
- 23.004 Appalachian Health Demonstrations (planning and construction only)
- 23.008 Appalachian Local Access Roads
- 23.010 Appalachian Mine Area Restoration
- 23.012 Appalachian Vocational Education Facilities

National Science Foundation

- 47.036 Intergovernmental Science Programs

Office of Economic Opportunity

- 49.002 Community Action Operations (excluding administration, research, training and technical assistance, and evaluation).

Water Resources Council

- 65.001 Water Resources Planning

EXHIBIT 2

EXECUTIVE OFFICE OF THE PRESIDENT,
OFFICE OF MANAGEMENT AND BUDGET,
Washington, D.C.

OMB CIRCULAR NO. A-95 (REVISED)

WHAT IT IS—HOW IT WORKS

Revised Circular No. A 95, in addition to implementing (in part) Title IV of the Intergovernmental Cooperation Act of 1968 and Section 204 of the Demonstration Cities and Metropolitan Development Act of 1936, assists in the implementation of Section 102(2)(C) of the National Environmental Policy Act of 1969.

Title IV, among other things, directs the President to "establish rules and regulations governing the formulation, evaluation, and review of Federal programs and projects having a significant impact on area and community development." The basic objectives of this mandate center about the importance of sound and orderly development of urban and rural areas on the economic and social development of the Nation. Section 401(b) of the Act requires that "all viewpoints—national, State, regional, and local—shall, to the extent possible, be taken into account in planning Federal or federally assisted development programs and projects." Section 401(c) states, moreover, that "to the maximum extent possible, consistent with national objectives, all Federal aid for development purposes shall be consistent with and further the objectives of State, regional and local planning."

Section 204 of the Demonstration Cities and Metropolitan Development Act of 1966, requires that applications for Federal assistance to a wide variety of public facilities type projects (highways, hospitals, etc.) in metropolitan areas must be accompanied by the comments of an area-wide comprehensive planning agency as to the relationship of the proposed project to the planned development of the area.

Section 102(2)(C) requires that Federal agencies prepare statements evaluating the impact of any actions they may take that significantly affect the environment. Such statements are submitted to the Council on Environmental Quality. Provision is made for inputs to these "environmental impact statements" by State and local governmental environmental quality agencies.

The following paragraphs are aimed at clarifying the Regulations promulgated by Circular No. A-95.

PART I: PROJECT NOTIFICATION AND REVIEW SYSTEM

The Project Notification and Review System (PNRS) may be thought of as an "early warning system" to facilitate coordination of State, regional, and local planning and development assisted under various Federal programs. Coordination is sought through review of applications for Federal assistance by State and metropolitan or regional clearinghouses. There are State clearinghouse in all fifty States (as well as in the District of Columbia and Puerto Rico). A network of over 350 metropolitan and regional (nonmetropolitan) clearinghouses covers nearly one-half of the Nation's counties which comprise approximately 85 per cent of the population.

The "early warning system"—project notifications

Under earlier regulations implementing section 204 of the Demonstration Cities and Metropolitan Development Act of 1966 the normal course of action for a State or local agency applying for Federal assistance was to prepare the application and submit it to the reviewing agency which had 60 days in which to file comments. However, this approach not only added 60 days to the time necessary for applying for aid, it often did not permit sufficient opportunity for effective coordination or constructive change in the application pursuant to the review. In some metropolitan areas, the area-wide reviewing agency was able to persuade the applicant to consult with it prior to completion of the application. Early consultation permitted the review agency to assist the applicant in developing the project so as to avoid conflict with plans and programs of other jurisdictions.

It is this early consultation approach that the project notification approach seeks to encourage.

A potential applicant (State or local agency, or other) for assistance under a program covered by Part I is required, when he has decided to apply for a grant, to notify both the State and, as appropriate, the regional (nonmetropolitan) or metropolitan clearinghouse of his intent to do so. The notification is to include a brief summary description of the proposed project. The clearinghouses have 30 days in which to indicate their interest and to arrange for consultation on the project. If the clearinghouses notify the applicant that they have no interest in or problems with the proposed project, the applicant has fulfilled his obligation and need consult no further with them before completing and submitting the application to the Federal agency, unless the clearinghouse indicates an interest in reviewing the completed application.

If a clearinghouse indicates during the initial 30 day period a wish to confer with the applicant, conferences are arranged. During this period and subsequently, the applicant will be preparing his application. If conferences with the clearinghouse surface issues or conflicts over the proposed project, the clearinghouse may assist in the resolution of such problems. At any time problems are resolved, the clearinghouse may "sign off" concluding the review.

Thus, with the advice and assistance of the clearinghouses, by the time the application is completed either (1) all issues (if any) will have been resolved or (2) any remaining issues will be clearly identified. If necessary, a clearinghouse may have an additional 30 days in which to file comments to accompany the application.

(Note: The PNRS under the revised Circular no longer distinguishes between programs covered pursuant to Section 204 of the Demonstration Cities and Metropolitan Development Act of 1966 and those added pursuant to Title IV of the Intergovernmental Cooperation Act of 1968. All clearinghouses have 30 days to consider a project description—i.e., the "project notification"—and, if necessary, 30 days to consider the completed application (or a more complete description), prior to its submission to the Federal agency. This is true of all applications whether or not in a metropolitan area).

Notification: form and content

The amount and detail of information provided at the project notification stage will—because of the great diversity of programs covered—tend to be highly variable. For some projects, the application may be developed quickly and easily. In such cases, the application itself may serve as the notification.

In such cases, of course, the clearinghouse will want to expedite review as much as possible so as not to unnecessarily slow up the application process. For other types of projects, many months may be required to develop the application, and it may be that the information that can be provided at the notification stage may be quite sparse and sketchy. The important thing, however, is that the clearinghouse is put on notice. If information is inadequate, it can be fed in as it becomes available, but the clearinghouse may serve the applicant best if it is informed at the earliest stage. This permits the clearinghouse to steer the applicant away from conflicts or towards opportunity as he develops the specifics of the project for which he is seeking Federal aid.

For some programs, Federal agencies have developed what are, in effect, pre-application forms that can also serve quite effectively as project notifications. Standard Form 101 for water, sewer, and waste disposal assistance from HUD, USDA/FHA, FWQA and EDA is an example, as is OEO Form 46 for community action projects and activities. Inasmuch as a number of clearinghouses have developed their own forms, OMB has told Federal agencies that Federal forms are to be considered optional as project notification forms. However, where these have to be filled out anyway by the applicant, a double burden is put on him. Where this is the case, clearinghouses should consider the effects of this added effort on the applicant. What is important about the notification is the information that it carries, not the form on which it is written.

While the primary purpose of the PNRs is to coordinate Federally supported programs with State, areawide, and local plans and programs, it should be remembered that the purpose of the Federal programs is to help the applicant in the solution of a problem. Therefore, the PNRs emphasis should be *on helping the applicant* to develop the best possible project to achieve his objectives in a manner that will not do violence to the plans and programs of other jurisdictions and agencies.

Clearinghouse functions

There are three types of clearinghouses:

(1) *State clearinghouse*, a State agency with comprehensive planning capacity, designated by the Governor.

(2) *Regional clearinghouse*, a nonmetropolitan areawide agency with general planning capability, designated by the Governor.

(3) *Metropolitan clearinghouse*, a metropolitan areawide agency recognized as such by the Office of Management and Budget for the purposes of section 204 of the Demonstration Cities and Metropolitan Development Act of 1966.

The term, "clearinghouse" is meant to fully reflect the functions of these agencies:

to identify the relationship of any project to Statewide or areawide comprehensive plans, and

to identify the relationship of any project to the plans or programs of particular State agencies or local governments.

While clearinghouses are expected to have comprehensive planning capabilities or direct access to such capabilities in order to identify the compatibility of proposed projects to Statewide or areawide plans, the "clearinghouse" aspect is equally important. It can well happen that a project which is not inconsistent with State or areawide comprehensive planning may be in conflict with the plans or programs of a particular State or local agency.

Thus, when an applicant sends a notification to the State clearinghouse, the clearinghouse will not only examine the project from the standpoint of State comprehensive planning but will forward a copy of the notification to any State agencies having plans or programs that might be affected to ascertain their interest in participating in any follow-up conferences with the applicant. The regional or metropolitan clearinghouse to which the applicant also sends the notification will, similarly, contact specific local governments and agencies which might be affected.

For example, community action or model cities agencies should receive notifications of projects which could have an impact on the poor; or agencies responsible for environmental quality should receive notifications of projects having an anticipated environmental impact.

It should be noted that when comments of these other parties are submitted through clearinghouses, the clearinghouses must transmit those comments to the applicant, and they too must accompany the application.

Relationships established with State and local agencies—including quasi-governmental and private agencies—through conscientious application of the "clearinghouse" aspect of the PNRs can enhance the status of the individual clearinghouse as a focal point for planning coordination. In addition the expert inputs of these agencies to the review process represent a useful supplement to the clearinghouse's own review resources and capabilities.

Applications from special purpose units of government

One important aspect of local government liaison function of the regional and metropolitan clearinghouses is the implementation of section 402 of the Inter-governmental Cooperation Act, which provides that:

"Where Federal law provides that both special-purpose units of local government and units of general local government are eligible to receive loans or grants-in-aid, heads of Federal departments and agencies shall, in the absence of substantial reasons to the contrary, make such loans or grants-in-aid to unit of general local government rather than to special-purpose units of local government."

Thus, when an application is to come from a special-purpose unit of government, it is a clearinghouse responsibility to assure that the Federal agency is informed as to the intentions of the general-purpose units within which the project is located so that it can act in compliance with section 402.

Inter-Clearinghouse relationships

1. *State/Metropolitan:* While State and Metropolitan clearinghouses may conduct reviews quite independently of each other, it is desirable that they establish cooperative arrangements for coordinating their reviews. A well coordinated State-metropolitan (or regional) review system will provide much better service to the applicant. It can reduce duplication of effort by clearinghouses as well as time spent by the applicant in conference and consultation. While it is possible that State and metropolitan clearinghouses may disagree over the merits of a project, a coordinated review is likely to produce a more consistent and thorough-going project evaluation.

2. *Metropolitan/regional:* In some States a rather more complex situation has arisen which requires even closer coordination. Some Governors have designated regional clearinghouses that overlap or encompass metropolitan clearinghouses jurisdictions. Thus, an applicant may find himself in two clearinghouse jurisdictions, not knowing where his responsibilities lie.

OMB has urged clearinghouses to develop coordinative arrangements, particularly to alleviate applicant confusion. While such arrangements are being worked out, the OMB Clearinghouse Directory may list overlapped counties (which include municipalities, and other applicants therein) under both clearinghouse jurisdictions. This, however, still leaves the applicant with the burden of sending notifications to both metropolitan and regional clearinghouses as well as to the State clearinghouse. OMB has notified overlapping clearinghouses that it will accept any arrangements agreed to by major parties at interest, but it regards the problem as one for State and local determination.

This problem is further exacerbated in the case of interstate metropolitan areas where parts of the metropolitan clearinghouse jurisdiction may be included in regional clearinghouse areas in two or more States. A possible solution is to have notification from within the metropolitan jurisdiction sent only to the metropolitan clearinghouse. It, in turn, would be required to pass on copies of the notification to the appropriate regional clearinghouse. This approach, of course, is equally possible in the case of intra-State clearinghouse overlaps.

3. *Adjacent clearinghouses.* Because projects in one region or metropolitan area may adversely affect an adjacent region—airports, pollution facilities, for example—clearinghouses in adjacent areas are required to establish coordinative arrangements to identify and mitigate possible interarea conflicts.

Federal agency responsibilities under the PNRs

Federal agency responsibilities under the PNRs are quite simple, and involve the following:

1. The Federal agency is responsible for informing potential applicants that they are required to submit to appropriate State and metropolitan clearinghouses notifications of intent to apply for assistance under the particular program. Applicants should be told that no applications will be considered unless they have gone through the process. Directories of clearinghouses are supplied

to Federal agencies by OMB. Contents of notifications are described in paragraph 5, Part I of the Circular.

2. Any comments accompanying applications are to be utilized by agency people in evaluating applications. A special case exists where an application is from a special purpose unit of government. If comments indicate a similar application is coming from the general purpose unit of government within which the applicant is located, preference will be given to the general purpose unit.

3. When any substantive action is taken on an application—approval, return for amendment, rejection, etc.—the Federal agency must so inform the clearinghouses through which the application has passed within 7 days after such action has been taken.

This latter responsibility is the most frequently overlooked among Federal agency responsibilities, yet it is extremely important to the clearinghouses. Most are comprehensive planning agencies and feedback information permits them to keep a running inventory of what development is taking place—or is not likely to happen.

Federal agencies may use any means of transmitting such information. Perhaps the simplest means is by copy of the letter that informs the applicant of the action. For approvals, a copy of Form 240 informing States of grant approvals under Circular No. A-98 may be used.

Environmental impact

Section 102(2)(C) of the National Environmental Policy Act requires Federal agencies to submit to the Council on Environmental Quality—on any action significantly affecting the environment—an “environmental impact statement.” While it is the Federal agency that must submit the statement, many or most agencies administering grant-in-aid programs will require the applicant to submit information on such projects, on which environmental impact statements can be based.

Section 102(2)(C) provides for an input to environmental impact statements by State and local agencies which are authorized to develop and enforce environmental quality standards. Thus, it is the responsibility of clearinghouses to identify State or local environmental agencies, provide them with project notifications, and assure them opportunity to make such comments as they may deem appropriate. Of course, in some cases the clearinghouse itself may have direct environmental responsibilities.

Beyond this, the clearinghouse, if it so desires, may assist applicants in the preparation of necessary environmental impact data or provide its own comments on the environmental impact of both Federal and Federally-assisted projects, or undertake other related action in assisting or facilitating State and local inputs into environmental impact statements.

Program coverage under Part I

Attachment D of Circular No. A-95 lists—by reference to the Catalog of Federal Domestic Assistance numbers and titles—the programs under which applications for assistance are subject to the requirements of Part I. These are mostly programs assisting physical development, although a number of social or human resource programs are covered as well.

In order to focus the review resources of clearinghouses on projects of area-wide or interjurisdictional significance, provision is made for exclusion of certain categories of projects under various programs. Such exclusions would need to meet certain criteria such as lack of geographical identification (e.g., certain broadly based research projects) or purely local input (e.g., a ½ acre lot). Exclusions would be proposed by the Federal agency administering the program and would need the concurrence of OMB in consultation with appropriate public interest groups. Clearinghouses will be notified of any exclusions. Beyond this, of course, any clearinghouse may choose to further limit the scope of its reviews. Local circumstances and clearinghouse resources will indicate the feasibility of further limitations.

Housing reviews

The revised Circular covers HUD housing assistance and mortgage insurance programs for projects of certain minimum sizes:

- in subdivisions, 50 or more lots;
- in multifamily projects, 100 or more dwelling units;
- in mobile home courts, 100 or more units; and
- in college housing, accommodations for 200 or more students.

The review process under the PNRs is different for these projects

Under HUD housing assistance procedures, a developer submits what is, in effect, a preliminary application to a HUD area or insuring office. The application contains a description of the project, detailed enough for HUD to evaluate it, but lacking detailed construction plans. Generally, the evaluation is made quite rapidly, taking no more than a matter of several weeks, and the developer is notified as to whether the project appears approvable for mortgage insurance commitment or other support. Even if FHA mortgage insurance is not going to be sought, some mortgage lenders will require a favorable FHA report before they will make a construction loan.

The A-95 review process for HUD housing programs will operate with respect to this pre-application phase and consequently may cover not only projects which will be insured or supported by HUD but also some whose financing will be conventional.

The process will operate as follows: when the HUD area or insuring office receives a request for what is called a "feasibility analysis", it will send copies to the appropriate State and metro or regional clearinghouses. The clearinghouses will have 15 days to submit comments on the relationship of the proposed project to State or areawide plans and programs or on any questions of environmental impact. Since HUD approvals require conformance to local zoning and subdivision regulations, the locality normally would already have been contacted by the prospective developer.

While the time span is very short for housing reviews, this stage of the application process is the most critical for clearinghouse inputs. It is also extremely critical for the developer, and to extend the review time for clearinghouse reviews in view of the relatively short HUD processing time at this stage would be a disservice. Clearinghouses are urged to establish early liaison with an appropriate HUD offices to acquaint themselves with the HUD housing program and procedures and to acquaint HUD officials with clearinghouse missions and operations in order to maximize the effectiveness of housing reviews.

Because of local zoning and subdivision controls or local comprehensive plan requirements, clearinghouse inputs may be minimal with respect to many or most individual projects except those of major size or strategic location. The primary value of notifications to clearinghouses is the intelligence they provide of emerging growth patterns that will have to be considered in the areawide comprehensive planning process.

A-95 and A-98 relationships

The substance of Circular No. A-98 was originally Part III of Circular No. A-95. Circular No. A-98 promulgates a standard form (No. 240) for Federal agencies to use in reporting the amount and purpose of grants-in-aid made within each State as required by Section 201 of the Intergovernmental Cooperation Act of 1968. This information is useful to State for budgetary planning and programming. Many states, particularly where the State clearinghouse also handles grant award information, have developed a computerized system for handling this information and have tied it to the PNRs under A-95. The objective of the tie-in is to trace Federal grants from the initial application to Federal funding. This permits the State to not only know what grants have actually been made (A-98) but to anticipate grants that may be made (A-95), giving additional perspectives for State planning, programming and budgeting.

Of course, the notice of grant awards under A-98 covers a substantially greater range of grant programs than does A-95. At the present time, also, not all States have tried to integrate A-95 and A-98 information, nor have metropolitan and regional clearinghouses who do not receive A-98 information directly, although the States are required to make it available to them.

PART II: DIRECT FEDERAL DEVELOPMENT

Part II requires that Federal agencies engaged in direct development of Federal projects such as Federal civil works, military or scientific installations, public buildings, etc., must consult with State and local governments that might be affected by those projects. Where projects are not in conformity with State, regional or local plans the Federal agency will be required to justify any departures. The requirement applies not only to construction but to the acquisition, use, and disposal of Federal real property.

In addition, in the preparation of environmental impact statements pursuant to Section 102(2)(C) of the National Environmental Policy Act, these Federal development agencies are required to seek the views and comments of State and local environmental agencies. Regulations of the Council on Environmental Quality indicate the clearinghouses as the appropriate channel through which to secure the required State and local views and comments.

The clearinghouses designated pursuant to Part I of the Circular provide the most effective vehicle available to Federal development agencies to assure that all appropriate State and local agencies are consulted on proposed projects. The clearinghouses are generally the State, metropolitan, or regional comprehensive planning agencies; and in conducting the PNRS reviews they have occasion to identify the interests of all development agencies at State and local levels. Thus, Federal agencies will generally need to touch base with clearinghouses in any event. And while the nature of Federal development may not always lend itself to the project notification and review system *per se*, the clearinghouses can greatly facilitate the consultation required under Part II of revised Circular No. A-95.

PART III: STATE PLANS

Numerous Federal assistance programs require, as a condition of assistance, submission of State plans. These are highly variable in nature and content. While some are plans in the normal sense—"What do I want to do and how am I going to do it?"—others only indicate the basic administrative apparatus through which the program will be carried out. However, associated documentation required to be prepared or submitted on a periodic basis will generally provide information as to the specific activities for which program funds will be spent, even though this information does not appear in the "plan" itself.

Part III requires that Governors be given an opportunity to review such plans or associated documents indicating proposed program activities. This will permit the Governor to relate development strategies among the various Federally supported State programs to each other and to any overall strategies developed through the State comprehensive planning process.

PART IV: COORDINATION OF PLANNING AND DEVELOPMENT IN MULTIJURISDICTIONAL AREAS

Part IV of the Regulations was developed to offset a growing tendency among Federal programs to promote the establishment of regional planning activities that were uncoordinated, geographically or functionally. In nonmetropolitan areas this has meant a serious drain on already limited planning resources. In metropolitan areas it has intensified confusion and general duplication of effort.

Part IV of the Regulations is closely related to Part I. By encouraging the States to develop systems of sub-State planning areas, it sets the stage for a more complete geographic coverage of the Project Notification and Review System. Similarly, the PNRS by requiring clearinghouse review of projected planning and development activities under various Federal programs, sets the stage for the more systematic and continuing planning coordination envisioned under Part IV.

While the most obvious aspect of Part IV is its emphasis on conforming the boundaries of Federally sponsored planning and development districts with each other and State-established districts, an equally significant requirement (paragraph 3) of Part IV is often overlooked. This is the requirement that applicants for Federal assistance to activities planned on a multijurisdictional basis coordinate their planning with planning for related programs in the area. This would involve identifying related planning activities and organizations and demonstrating what coordinative arrangements have been or are being established.

Paragraph 3 of Part IV provides in effect, an operational definition of planning coordination and identifies—but does not prescribe—various coordinative techniques such as the establishment of umbrella organizations under which various organizations could be coordinated operationally and policy-wise while maintaining their own identities, if that is necessary. Metropolitan and regional clearinghouses could lend themselves well to this role in many cases.

Coordinative devices that can prevent overlap and duplication of planning include arrangements for joint staffing and facilities, cooperative research and data gathering, and utilization of common and consistent statistics, projections,

and assumptions about the area and its future. The latter is extremely important, both in terms of resource savings and in eliminating one of the most basic sources of plan conflicts.

The achievement of these coordinative arrangements, then, is a necessary concomitant effort with conforming boundaries; for a common territorial base by itself does not assure coordination. There must be contact, communication, and cooperation between organizations planning for various aspects of area development for that to occur.

SUMMARY

OMB Circular No. A-95 is fundamentally an effort to create a climate where intergovernmental cooperation can take root and flourish. It does this by creating opportunities for contact and communication within and between the several levels of government. This contact and communication is a necessary precondition for coordination.

In order to take full advantage of those opportunities, it is important that the various actors have an appreciation of the requirements as opportunities, rather than as administrative obstacles.

—The applicant should recognize the opportunity to develop a better project through avoidance of conflict and the discovery of means for getting "more bang for the buck" out of its investment.

—The Federal agency should recognize the opportunity for increasing program effectiveness through the same means and through applicant awareness of the need for sound planning and coordination.

—The clearinghouses should recognize the opportunities for providing real service to applicants which will enhance their credibility and status as a constructive force in the area or in the management of the State government.

In sum, the Regulations promulgated under Bureau of the Budget Circular No. A-95 are aimed at promoting more effective coordination of planning and development activities carried on or assisted by the Federal Government. The major device of the Regulation is encouragement of systematic communications between the Federal Government and State and local governments carrying out related planning and development activities. Used judiciously by State and local governments and regional bodies, the processes set forth in the Regulations can result in more expeditious, more effective, and more economical development.

PROJECT NOTIFICATION AND REVIEW SYSTEM

The following outlines the process of the "Project Notification System" developed to implement, in part, Title IV of the Intergovernmental Cooperation Act.

Step 1.—Potential applicant desiring Federal assistance makes inquiries of Federal agency.

Step 2.—Federal agency informs applicant that, among other things, it must notify both State and regional (or metropolitan) clearinghouses about the project for which it intends to apply for assistance.

Step 3.—Applicant notifies clearinghouse.

Step 4a.—State clearinghouse notifies State agencies which might have programs affected by proposed project, including where appropriate, environmental agencies.

b. Regional or metropolitan clearinghouse notifies local government agencies whose interests might be affected by the proposed project, including where appropriate, local and regional environmental agencies.

Step 5.—State agencies or local governments inform clearinghouse of interest, if any.

Step 6.—Clearinghouse arranges conference with applicant within 30 days of notification pursuant to its own or other State or local interest.

Step 7.—Conferences are held to:

- a. Explore project in greater detail.
- b. Identify possible conflicts or mutuality of interest.

Step 8.—If continuing interest, applicant and clearinghouses (with any State or local interest), cooperate in developing application to:

- a. Resolve conflicts.
- b. Strengthen project.

Step 9.—If conflicts are not resolved, clearinghouse notifies applicant that it will have comments to accompany the application. (Note: Conflicts may arise as

between clearinghouses or particular State agencies or local governments as to the merit of a project, so such comments may be variably supportive or critical.)

Step 10.—Applicant submits application (or adequate project description) to clearinghouse(s) for comment, providing 30 days therefor.

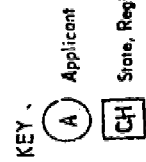
Step 11.—Clearinghouse(s) submits any formal *comments* of its own or of particular State agencies or local governments to applicant.

Step 12.—Applicant submits application to Federal agency, including comments, if any; or, if none, a statement that requirement has been followed.

Step 13.—Federal agency considers application and comments and informs clearinghouses of action taken thereon.

It is possible for the process to come to a satisfactory conclusion at the completion of Steps 5, 7, or 8 as well as, of course, Step 13. At either of the earlier Steps, clearinghouses can inform applicant of general satisfaction with the project and that they will have no (or supportive) comment. In such case, the applicant completes the application and submits it to the Federal agency with a statement that the requirement has been followed (or with any supportive comment). *Step 13—Information to clearinghouses on action taken on the application by the Federal agency is, of course, always required.*

PROJECT NOTIFICATION AND REVIEW SYSTEM



OMB CIRCULAR NO. A-95—METROPOLITAN AND REGIONAL CLEARINGHOUSES

	Metro	Regional	Counties ¹
Alabama.....	6 1/2 ²	4	46
Alaska.....	2		2
Arizona.....	2 2/2 1/3	9	75
Arkansas.....	9	1/2	27
California.....	3		8
Colorado.....	3 1/3	5	8
Connecticut.....	1/3		1
Delaware.....	1/3		
District of Columbia.....	1/3		
Florida.....	9		19
Georgia.....	4 3/2	17	159
Hawaii.....	1		1
Idaho.....	1		1
Illinois.....	7 2/2		19
Indiana.....	8 2/2 1/3		21
Iowa.....	4 2/2 1/3		7
Kansas.....	2 1/2		5
Kentucky.....	1 2/2 2/3	12	95
Louisiana.....	6	7	64
Maine.....	2		7
Maryland.....	1 2/3		8
Massachusetts.....	9	3	14
Michigan.....	9		17
Minnesota.....	1 2/2		9
Mississippi.....	2 1/3	8	82
Missouri.....	2 2/2	16	114
Montana.....	2		2
Nebraska.....	1 1/2 1/3	1	8
Nevada.....	2	1/2	3
New Hampshire.....	1	1	2
New Jersey.....	2 1/2 1/3	5	21
New Mexico.....	1	1	10
New York.....	6 1/3	2	39
North Carolina.....	6	4	52
North Dakota.....	1/2		1
Ohio.....	9 2/2 2/3		34
Oklahoma.....	3 1/2	6	55
Oregon.....	2 1/2	10	34
Pennsylvania.....	11 1/2	2	34
Puerto Rico.....	4		5
Rhode Island.....	1	1	7
South Carolina.....	3 1/2		46
South Dakota.....	1 1/3		3
Tennessee.....	2 1/2 1/3	5	84
Texas.....	18 1/2	5	254
Utah.....	3	3	3
Vermont.....		14	14
Virginia.....	5 1/3	8	57
Washington.....	2 1/2		7
West Virginia.....	1 2/2 2/3		7
Wisconsin.....	4 1/2	1	30
Wyoming.....			
Total.....	184 34/2 2-1/3=208	159 2/2=160	1,614

¹ Number of counties in a State lying wholly or in part in an area covered by a clearinghouse.

² A fraction denotes a multistate clearinghouse. The denominator indicates the number of States involved. The numerator denotes the number of such bistate or tristate clearinghouses in which the particular State is involved. Thus, Arkansas is involved in 2 bistate and 1 tristate clearinghouses.

EXHIBIT 3

RESPONSES TO QUESTIONS PUT TO OFFICE OF MANAGEMENT AND BUDGET IN CONNECTION WITH HEARINGS ON S. 10

Q. How large a staff in your office is devoted to these coordinating functions?

A. There are three people assigned to oversight of OMB Circular No. A-95. They spend approximately 2/3 of their time. In addition, OMB has a liaison officer assigned to each Federal Regional Council which undertakes a variety of coordinative projects and activities, including field efforts to secure more effective implementation of A-95. In addition, the Regional Councils undertake special projects such as those noted in testimony (coordination of migrant labor programs, South Dakota rural development, Southern Oklahoma technical assis-

tance) that relate to rural development. Documentation of these examples is included in the attachments to the testimony.

Q. How many Federal grant programs serving rural areas function on an area basis?

A. We interpret this question to mean what programs serving rural areas are planned on an area basis. The following list captures programs of major importance where planning is required or encouraged.

<i>Agency</i>	<i>Program</i>
USDA/FHA	Water and Waste Disposal Systems.
USDA/SCS	Resource conservation and development.
DOC/EDA	Economic development district programs.
HEW/HSMHA	Health programs.
HUD	Basic water and sewer facilities.
HUD	Open space program.
DOJ/LEAA	Law enforcement programs.
DOL	Manpower programs.
DOT/FAA	Airport programs.
DOT/FHWA	¹ Metropolitan area highways.
DOT/UMTA	¹ Mass transit facilities.
EPA	Air pollution control.
EPA	Water pollution control.
EPA	Solid waste management.
ARC	Appalachian programs.
OEO/CAP	Community action programs.

¹ Concentration in urbanized areas but will serve urban fringe and small communities.

Programs providing assistance to area-wide planning include the following:

USDA/FHA	Water and sewer planning.
USDA	River basin planning.
DOC/EDA	Economic development district planning.
HEW/HSMHA	Comprehensive areawide health planning.
HUD	Comprehensive planning.
DOJ/LEAA	Law enforcement planning.
DOL	Comprehensive Area Manpower Planning (CAMPS).
DOT/FAA	Airport planning.
DOT/FHWA	Highway planning.
DOT/UMTA	Mass transit planning.

<i>Agency</i>	<i>Program</i>
EPA	Air pollution control planning.
EPA	River basin planning for pollution control.
EPA	Solid wastes planning.
ARC	Appalachian development district planning.
WRC	Water resources planning.
OEO/CAP	Community action planning.

The above, in addition to supporting area planning may, variously, also support State and local planning.

Q. What Federal grant programs use common area boundaries? To what extent has the problem of overlapping boundaries been improved in recent years? What steps were taken to improve them? How much more progress can be expected?

A. One of the purposes of OMB Circular No. A-95 is to get Federal programs that are planned on a regional basis to utilize common or consistent boundaries. Since this regulation was first introduced (in 1967 as Circular No. A-80), it has had considerable utility in preventing the establishment of overlapping planning regions, but it has had little or no retroactive impact on such regions established prior to the regulation.

The regulation encourages Governors to establish systems of sub-State planning and development districts to which Federally designated planning regions would conform. Such systems have been established in over 35 States. OMB has planned a systematic effort to realign Federally designated planning areas with those sub-State districts during the coming months.

The following are the major program regions that will be affected:

USDA/SCS—Resource conservation and development areas; DOC/EDA—Economic development districts; HEW/HSMHA—Comprehensive health planning areas; HUI—Metropolitan and regional comprehensive planning areas; DOS/LEAA—Law enforcement planning regions; DOL—Comprehensive manpower planning areas; EPA—Air quality control regions; OEO/CAP—Community action planning areas; ARC—Local development districts; WRC—River basin planning regions.

Q. What are the relations between your office, State development commissions and local development organizations in rural areas? How do you effect coordination between Federal grant programs in specific rural areas? Give some examples?

A. Another element of OMB Circular No. A-95 establishes a "Project Notification and Review System" (PNRS) under which State, metropolitan or regional (nonmetropolitan) "planning and development clearinghouses" review and coordinate applications for Federal assistance with Statewide or areawide plans and programs and with the plans and programs of specific agencies or jurisdictions that might be affected by the proposed project. There are State clearinghouses in every State and there are 208 metropolitan clearinghouses and 160 regional (nonmetropolitan) clearinghouses. The regional clearinghouses which cover over 1,000 counties in 26 States. Some parts of the jurisdictions of metropolitan clearinghouses are also rural in nature.

The clearinghouses and public interest groups representing these constituencies (National Governor's Conference/Council of State Governments/Council of State Planning Agencies; National Service to Regional Councils/National Association of State Development Organizations; and National Association of Counties) are OMB main contacts. The individual clearinghouses contact the OMB directly on specific problems and applications of Circular No. A-95; and OMB carries on a continuing dialogue on more generalized problems of intergovernmental cooperation and coordination at the State level in rural and urban regions.

The PNRS is the chief instrumentality for achieving coordination of Federal grant programs in rural areas. However, it should be pointed out that OMB does not do the coordinating itself, but through A-95 sets the stage for coordination by Federal and State agencies and regional organizations.

The Federal Regional Councils play an important coordinating role in various rural problem areas, sometimes on their own initiatives, sometimes at the instigation or with the assistance of OMB. For instance the FRC's are playing an increasingly important role in assuring the implementation of A-95. They will be the prime coordinators in carrying out OMB plans (mentioned above) to secure realignments of Federally designated planning regions with State established planning districts under A-95.

Some specific projects of note on which greater detail is provided in attachments submitted with this document are:

A project of several FRC's to coordinate programs concerned with migrant labor.

A project of the Denver FRC to assist the Governor of South Dakota to develop a Statewide rural development strategy.

An OMB/interagency project for which the Dallas-Fort Worth FRC provides oversight. This project is a demonstration of how Federal technical assistance can be provided to a rural depressed area in Southern Oklahoma in developing a comprehensive development strategy.

Q. What do you consider to be the major problems in achieving more effective Federal, State, and local coordination in rural development activities?

A. The fragmentation of Federal assistance programs and their administration are the major obstacles. The President's reorganization proposals—particularly for a Department of Community Development—and his revenue sharing proposals—particularly the Rural Development special revenue sharing are aimed at the alleviation of these two problem areas. Documents relating to these proposals are attached.

Q. What are the significant budgetary and policy considerations behind current levels of spending on rural programs?

A. The 1972 budget provides for a number of increases in Federal programs which have a significant impact on rural development. Particular emphasis was given to those programs which contribute most to the social and economic development of rural areas. This emphasis of course is a direct reflection of the concern that the President has expressed in a number of statements, including State of the Union Address, regarding the desirability of assisting rural areas in their revitalization.

A recent Presidentially transmitted report entitled "Report to the Congress on the Availability of Government Services to Rural Areas" contained fiscal year 1969 and 1970 financial data for groupings of Federal programs which have significant impacts on rural development. Using basically these same groups of programs, and applying the FY 1970 percentages of program funds allocated to non-standard metropolitan statistical areas to FY 1971 and FY 1972 budget amounts, the following "Rural" totals are derived:

	<i>Billions</i>
Fiscal year 1971-----	\$12.3
Fiscal year 1972-----	14.3

PRINCIPAL PROGRAM AREAS OF INCREASE

(Dollars in millions)

Programs	Fiscal year 1971	Fiscal year 1972
HEW programs (excluding trust fund activities, Social Security Administration, and selected grants for public assistance).....	\$4,769	\$5,834
Federally assisted housing programs (subsidized as well as unsubsidized).....	3,439	4,069
Food assistance programs.....	1,336	1,521
Manpower training programs.....	502	518
Small Business Administration programs.....	408	467
Construction grants for waste treatment facilities.....	113	181
Law enforcement grants.....	57	75

It would not be worthwhile to speculate on changes in the levels of particular appropriations which may be sought by the Administration in future years to help meet the Nation's goals for rural America. However, the extent to which the President is committed to doing more for rural areas may be best learned by taking a look at the President's revenue sharing proposals and what they would yield for such areas vis-a-vis the amounts which categorical grants-in-aid are providing in the current fiscal year. By including within the allocation formulas factors which reflect relative need, the various revenue sharing programs will provide disadvantaged States with a higher level of assistance than their population alone would otherwise justify.

For example, Rural Community Development shared revenues would be allocated among the States based on such factors as rural per capita income and changes in rural population to take cognizance of the relatively low income level and population growth which are often experienced by States that are largely rural. What this means in practical terms is best demonstrated by the changes in the amounts of "rural development" funds going to those essentially rural States whose economic distress has been chronic and sufficiently recognized to have resulted in the establishment of special regional economic development programs for their benefit. The following table shows for each of the six existing groups of regional commission member States (a) the aggregate amount of funds they are expected to receive in FY 1971 under the several programs to be converted to Rural Community Development Revenue Sharing, (b) the aggregate amount of shared revenues they would be allocated under the Rural Community Development program, and (c) the difference in terms of dollars and percentage. It should be noted that the amounts shown in the "FY 1971 Programs" column include the special assistance which these States receive via their respective regional commission programs in addition to the regular grant-in-aid programs in which all States participate. Thus, those regions of the Nation which have been receiving extraordinary assistance to help satisfy extraordinary needs will continue to receive every bit as much assistance, *and more*, under Rural Community Development Revenue Sharing.

[Dollars in thousands]

	Fiscal year 1971 programs	RCD Allocation	Difference
Appalachian States (Alabama, Georgia, Kentucky, Maryland, Mississippi, New York, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, Virginia, and West Virginia).....	\$496,060	\$516,026	+\$19,966 (+4.0%)
Coastal Plains States ¹ (Georgia, North Carolina, and South Carolina).....	95,313	111,144	+\$15,831 (16.6%)
Four Corners States (Arizona, Colorado, New Mexico, and Utah).....	27,555	34,834	+\$7,279 (26.4%)
Ozarks States (Arkansas, Missouri, Kansas, and Oklahoma).....	73,363	95,093	+\$21,730 (29.6%)
New England States (Connecticut, Massachusetts, Maine, New Hampshire, Rhode Island, and Vermont).....	23,431	30,593	+\$7,162 (30.6%)
Upper Great Lakes States (Michigan, Minnesota, and Wisconsin).....	46,416	73,248	+\$26,832 (57.8%)

¹ The entry for Coastal Plains is duplicatory, since the 3 member-States are also included as Appalachian member-States.

Q. What future budgetary changes, if any, are contemplated to meet the Administration's goals for rural America?

A. The conditions in rural America today and the disparity between regions in the concentration of population and economic activity are well documented and well known to a great number of Americans. The findings of both S. 10 and the President's proposed Rural Community Development Revenue Sharing Proposal show an awareness that many rural areas of the Nation have lagged behind in economic growth and that the people of these areas have not shared fully in the Nation's prosperity.

The President's proposal and S. 10 share a common objective to increase efforts by Federal, State and local governments, and private individuals as well, to provide the economic base that is the vital prerequisite for vigorous self-sustaining growth.

The principle behind President Nixon's program to revitalize the American system of Government is that, given sufficient resources, our States and localities can be more responsive to the needs of the people and more responsible in the exercise of power than can be the Federal Government in Washington. The cornerstone of this program is the President's proposal for giving broader and less conditional forms of financial assistance to States and local governments.

Under this new program, funds will be distributed to States for use in rural areas. The development projects appropriate for each community will be determined by State and local governments according to the needs of that community. Through this combination of special revenue sharing, local initiative, and local governments according to the needs of that community. Through this combination of special revenue sharing, local initiative, and local decision making, rural areas can strengthen rural enterprise, increase economic opportunity for rural residents, and improve rural communities.

In recognizing the needs of rural areas, the President has proposed not only the rural community development program which reflects the Federal interest and problems of our Nation's rural areas, but also programs for the sharing of Federal revenues in the areas of transportation, education, law enforcement and manpower training. These programs are vital links in the chain that leads to a revitalized rural America. In addition, the President's Urban Community Development Revenue Sharing proposal provides mechanisms whereby towns and smaller cities in rural America may also share in these revenues. The planning and integration of rural and urban programs will be facilitated through sharing revenues with States and localities for planning and coordination. To determine the real effect of Rural Community Special Revenue Sharing one must look at the entire package of Revenue Sharing Plans proposed by the President.

Geographic regions of the country vary greatly in their character of migration and in economic and social conditions. While the President's rural revenue sharing plan recognizes, through formula distribution of revenues, the existing demands for services of people now residing in rural America, it also lays heavy stress on helping States in areas that show characteristics of low income and/or high rates of population loss. Again, these features of the President's plan are designed to accomplish many of the common objectives we share.

EXHIBIT 4

EXECUTIVE OFFICE OF THE PRESIDENT,
OFFICE OF MANAGEMENT AND BUDGET,
Washington, D.C., June 2, 1971.

Hon. JOHN L. McCLELLAN,
Chairman, Committee on Government Operations,
U.S. Senate, Washington, D.C.
Attention: Mr. James Calloway.

DEAR SENATOR McCLELLAN: Following are responses to the further written questions given me by Jim Calloway after my testimony on S. 10.

The questions, as stated, are difficult, if not impossible, to respond to with available data. In the case of *Question No. 1*, for instance, while there are a number of programs that are almost exclusively rural, there are few that do not account for outlays in rural areas. Moreover, some programs designed specifically for assistance to rural areas as well as most programs designed for urban areas account for expenditures in the rural portions of metropolitan areas.

I am enclosing, however, a document that does get at the type of information that I believe the Committee is seeking in Questions No. 1 and 2. Pursuant to section 901(e) of the 1970 Agriculture Act, the President submitted (2/25/71) to Congress a *Report to the Congress on the Availability of Government Services to Rural Areas*. Table 2 of that report (on the second and third unnumbered pages following the text) provides a "Summary of Selected Program Outlays, by Department or Agency and by Function, FY 1970, with Some Comparisons with FY 1969." As the Table indicates, in some instances outlay data are not comparable even as between 1970 and 1969. Thus, it is virtually impossible to provide comparable data as between 1970 and 1960 as requested under *Question No. 2*. However, the Table does capture the lion's share of domestic revenue outlays for FY 1970 which indicates outlays of over \$23 billion of which nearly one-third occurred outside of metropolitan areas. We do not have information on the further amount that was expended in the rural portions of metropolitan areas.

Question No. 3 was addressed in the responses to the last two questions that were provided in written form prior to OMB testimony. A copy of our response that was submitted with testimony is attached. Similarly, our response to the third to the last question in the earlier set, as well as the latter part of my testimony, are, I believe, responsive to this question.

Question No. 4, I think, was answered in substantial measure in testimony and in the written answers to previous questions put by the Committee.

Question No. 5, again, is difficult to answer in any comprehensive manner. Certainly, neither any Administration nor Congress wittingly initiates or passes laws and programs that are mutually contrary in their effect.

In the case of programs of the Appalachian Regional Commission (ARC) and the Economic Development Administration (EDA) there is the same basic objective, i.e., to stimulate economic growth and development in lagging areas experiencing chronic, high unemployment, or other signs of substantial economic distress. The differences in approach taken by EDA and ARC in overcoming these problems, largely flow from differences in their respective enabling legislation.

For example, aside from differences in organization and program content, the two agencies differ with respect to the degree of reliance each places on the use of "growth centers" as a means of accomplishing its goals. The Appalachian Act requires that "public investments . . . shall be concentrated in areas where there is a significant potential for future growth," and analysis reveals that:

Thirty percent of ARC's public facility investments have been concentrated in five percent of the Appalachian counties;

Seventy percent of the investments have been concentrated in twenty-five percent of the counties; and

Greatest relative concentration of investment has occurred in growth areas with population in the 50,000-250,000 range.

On the other hand, the Public Works and Economic Development Act restricts EDA program assistance to those areas whose economic distress meets statutory eligibility criteria. Only when two or more eligible redevelopment areas join with other nearby areas to form a "development district," may EDA designate and assist "growth centers" within the multi-county district. Even then, the Act authorizes only \$50 million out of EDA's total annual authorization of \$770 mil-

lion to be invested in growth centers. It should be noted, however, that EDA has been utilizing the full amount of the "growth center" authorization, although its total appropriation in recent years has been in the range of \$250-\$275 million.

Finally, with respect to *Question No. 6*, while there is no doubt that there have been jobs created in rural areas by EDA and Appalachian programs, OEO, HEW, and DOL manpower programs, as well as HUD, and DOT public works programs; nevertheless, there are no reliable data on direct or secondary job creation effects of these programs. It is difficult to dissociate jobs created by these programs from rises in local or regional economies and the National economy. The immediate discernible job-creating effects of particular places may be discernible, but the long range impact is not easily statistically verifiable.

I hope the above provides the Committee with at least a partial answer to its questions. If we can be of further assistance, please let me know.

Sincerely,

DWIGHT A. INK, Assistant Director.

REPORT TO THE CONGRESS ON THE AVAILABILITY OF GOVERNMENT SERVICES TO RURAL AREAS

INTRODUCTION

Section 901(e) of the Agricultural Act of 1970 calls for the President to report annually to the Congress concerning the availability of services from various Federal programs in rural areas.

This report is presented in fulfillment of this requirement. It also reports on the general nature of socio-economic conditions in rural areas.

BACKGROUND STATEMENT

As a background to the consideration of specific program measures for the benefit of people living outside of metropolitan areas, the following statement highlights some of the social and economic trends of recent years and the current relative status of this segment of U.S. population.

The American scene today

Development of rural America is viewed by many as the key to "balanced growth", including a "pressure valve" for megalopolis, the source of recovery of ecological health, and an escape from congestion, pollution and other social ills attributed to large urban centers. What, really, is rural America? A vast, unpeopled, space where there is no promise, no future? Not at all. It is vast, but it is also peopled by about 30 percent of the Nation's population in open country and in communities of less than 50,000 people. It suffers many disadvantages when compared with metropolitan areas, but it is not without promise and it certainly does and must have a future. It is an area of historic promise, much of which has already come to pass, yet much remains for the future.

Rural America contains about one-third of our population. Within this segment of our population great changes have taken place. The farm portion, for example, declined by 13½ million from 1950 to 1970, a loss of 68 percent. Technological advance, increased mechanization, specialized production, larger size of farms, and other changes have reduced the need for manpower on farms and transformed most of rural America into a non-farm economy. Meanwhile, with unprecedented rural to urban migration, we have become an overwhelmingly urbanized society. Where does this leave rural America in the scale of American values, opportunities and future?

No national consensus to answer that question has so far emerged. Many feel that revitalization of rural areas is an important way to alleviate the "crisis of the cities", and to promote balanced growth and vitality in many of the smaller towns and cities outside of the larger metropolitan areas. Stirrings at the grass-roots of thousands of small towns indicate a revival of business, industry, community and economic development. What are the facts?

Population

It is true that large population changes occurred during the decade of the 1960's with about two million people leaving the countryside for the cities. Metropolitan America grew from 112 million people in 1960 to 130 million in 1969, a change of 15 percent, more than twice the growth of 6 percent in non-metropolitan

areas. Metropolitan areas will continue to grow because of the huge population base residing there. The contribution to this increase from rural areas has already lessened. It is estimated that rural counties lost about two million people through out-migration from 1960 to 1970, but this number is less than half as large as the outpouring of 4.6 million people during the 1950's.

The migration picture in rural areas is varied. While some parts of the country lost population heavily—where nonfarm job growth did not compensate for the decline in agricultural employment—other sections reversed the out-migration pattern of the preceding decade and gained population. At the same time that the Great Plains and inter-mountain areas of the West were declining rapidly in population, portions of the southern Piedmont, middle Tennessee Valley, eastern Oklahoma, and northern and western Arkansas grew in population during the 1960's.

Employment

A principal factor in motivating people to move from one part of the country to another is the search for employment, or for better employment. This contributed to the patterns of population and employment change affecting rural America in the 1960's. Nonfarm employment in rural America grew slightly faster, overall, than in metropolitan areas from 1960 to 1970. Employment gains in manufacturing and contract construction in some rural areas were the principal contributors to this trend. The rural areas in which gains in nonfarm employment were greatest coincided strikingly with those areas with growth.

Income

Level of income is, of course, an important component of wellbeing everywhere. On the factor, rural America suffers in comparison with metropolitan areas, although there was improvement between 1959 and 1968 in reducing the relative difference. Median family income (in 1968 dollars) in metropolitan areas in 1968 was \$9,411, compared with \$7,531 in 1960; in non-metropolitan areas, the median was \$7,342 in 1968, up from \$5,288 in 1959. The increase outside of metropolitan areas between these two dates was 39 percent, while in metropolitan areas it was 25 percent.

Community assets

Measurement of what is called the "quality of life" is difficult because of lack of quantitative data and the presence of intangible factors. People want jobs and an adequate income to support an acceptable standard of living. But they also require other things including a good education for their children; accessible, quality medical care; adequate housing at a price they can afford; and other community services such as police and fire protection, clean water supply, sewage disposal, transportation facilities, and recreational and cultural opportunities. In many rural areas of the United States, these services and facilities are inadequate; in some places virtually non-existent in whole or in part. In sparsely settled areas and those declining in population, the shrinking tax base makes the delivery of such services increasingly costly and inefficient.

Education

Universal public education has made one measure of rural-non-rural differences insignificant, namely educational attainment as indicated by median years of school completed by persons 25 to 29 years old. Metropolitan and rural areas are virtually the same at 12 plus years. For the Negro population of this age group in rural areas, however, attainment drops to 10.9 years. The percentage of high school graduates in metropolitan areas is higher (78 percent) than in rural areas (69 percent) in 1969. Metropolitan areas also show a higher percentage of college graduates, 18 percent, as compared with 12 percent in rural areas.

A crucial problem that parts of rural America face in supporting a modern high school is an inadequate population base, especially in areas of sparse or declining population. Determination of the number of people necessary for a good high school cannot be arbitrarily stated, but estimates have been made by educators and others as to approximately the desirable population size.

Many small towns and their hinterlands in rural areas cannot muster a population base of sufficient size to be competitive with larger places in terms of teachers' salaries, library and laboratory facilities, and the specialized equipment of today's high schools.

Health

In addition to good schools, people look for accessibility to health care in choosing where they want to live. Rural areas offer the services of about as many practitioners as do metropolitan areas, but, because of distances, they are less accessible to rural people than these physicians are to urban people. Rural areas have fewer specialized medical personnel per 100,000 population than do urban areas, including hospital-based physicians, nurses, and pharmacists. They also have fewer dentists. The number of hospital beds located in rural areas appears adequate, but many of the hospitals in rural areas are more utilized by urban than by rural people, and others are in need of modernization and more sophisticated equipment. Where income is low and population sparse, non-metro communities find it difficult to acquire access to medical specialists and modern hospital facilities.

Housing

A prime asset in any community is adequate housing for the residents. For a number of reasons, this attribute is more often found in metropolitan than in rural areas. While there has been improvement in the rural housing situation generally since 1960, the proportion of substandard units (dilapidated or lacking a basic plumbing item) continues to be higher in rural than in urban areas. The number of substandard rural housing units was reduced from one-third to one-fifth from 1960 to 1968. Obstacles to greater improvement in the quality of rural housing, as opposed to that in metropolitan areas, include: lower income levels, less availability of credit for long-term mortgage financing, low density of construction activity, and usually higher costs for debt service. Although housing starts since 1959 have been greater than the formation of new households, much remains to be done in the housing field in all areas.

Electricity and Telephone Services

One of the more valuable amenities in the United States has been brought about by the advance of electrification and electronics. Refrigeration and other household appliances added immensely to the standards of living for rural people. The most remote hamlet can be reached by telephone and news is simultaneously received nearly everywhere by radio or television. Physical and social isolation of distant places in the countryside has been alleviated by electronic communication to an unprecedented degree. Metropolitan housewives fare slightly better than rural in possession of telephones, 85 percent compared with 73 percent in 1965. Additionally, the quality of service is better in metropolitan areas. Many rural households still have more than 4-party service. But radio and/or television are found in about 95 percent of all households regardless of residence. As a result of the programs of the Rural Electrification Administration over the years, over 98 percent of the Nation's farms are now served by electricity.

The future of rural America

What, then, can we say about the promise and future of rural America? What has contributed to the revitalization of some areas and not to others? There is no single answer. As mentioned above, population and nonfarm employment growth appear to go together in many places. Factors which may be credited with rebuilding parts of rural America are associated with improvements in communication and transportation, including the interstate highway system; lower land and development costs outside of cities; supplies of low-cost labor with adequate skills; the freedom to locate many industries away from natural resource supplies, rivers, and railroads; and the preference of many people for the stability and slower pace of small towns and cities.

There appears to be considerable promise in undergirding non-metropolitan America for renewed vigor and overall development for achieving more balanced National growth and for improving environmental quality. The main thrust of national economic development continues to be associated with expansion in major population centers of the Nation. This tide can be diverted toward rural America, but not easily.

PROGRAM AVAILABILITY IN RURAL AREAS

The selected programs for inclusion in this report are those for the following services: telephone, electrical, water, sewer, medical, educational, manpower, housing, small-business assistance, law enforcement assistance, food assistance, and income maintenance (excluding Social Security).

The major areas of Federal programs which are not included are: defense, foreign assistance, agriculture, natural resource, regulatory, transportation, rec-

reation, and research. Some of these areas were omitted because they either are covered in the other reports required by Title IX, or, such as defense and foreign assistance, were not germane. Other areas, such as agriculture and natural resource programs were not included because their distribution is determined more by geography than by population. The emphasis in this report is upon services available to people instead of areas. Transportation and recreation programs were not included because the users of the facilities are not necessarily those living closest to them. Although the list of programs selected is comprehensive, it is not all inclusive. Programs not included on the list may provide significant Government services to rural residents. Thus, the absence of a program from the list should not be taken as an adverse reflection upon its contribution to rural development.

Selected examples of successful efforts to expand the availability of Federal programs to rural people, taken from statements by agencies, are as follows.

USDA rural housing loans in FY 1970 increased 50 percent over the 1969 level for a total of \$663 million in non-SMSA's. Projected level for FY 1971 will be over three times the 1969 level.

Food stamp program began operation in 230 non-metropolitan project areas during FY 1970 in rural areas. An additional 228 rural counties were scheduled for operation during FY 1971.

Non-metropolitan area planning grants for HUD increased from the \$1.2 million provided for 57 districts in 1969, to \$2.7 million for 122 districts in 1970; \$5.0 million is planned for 150 districts in 1971.

Sixty percent of HUD public facility loans during FY 1970 were approved for projects in non-metropolitan communities.

The Employment Service established 21 smaller community program offices during FY 1970 which operated in 19 States serving an average of three rural counties in an effort to bring more effective employment services to rural areas.

OEO made legal services grants of over \$0.5 million during FY 1970 under a growing legal aid services program for non-metropolitan areas.

Neighborhood health services are receiving increasing attention in rural areas. By April 1970, 14 projects were under way testing differential comprehensive health care system models in non-metropolitan areas. Federal outlays during FY 1970 for neighborhood health centers in predominately non-metropolitan areas totaled \$8.2 million.

Of the 65 public library construction projects approved during FY 1970, 37 were in areas of less than 25,000 population.

Of the 40 non-commercial educational and radio stations which received Federal grants totaling \$5.4 million during FY 1970, more than half were awarded to stations in nonmetropolitan areas.

About three-fourths of the \$61 million in loans and grant outlays provided under programs of the Economic Development Administration during the first half of FY 1970 were utilized in nonmetropolitan areas.

About half of the Federally administered projects under the Vocational Education-Innovation Program were focused on young people in non-metropolitan areas.

Of the 78 current Teacher Corps projects, 35 percent assist school districts in non-metropolitan areas including Appalachia, the Ozarks, migrant areas in several regions, and Indian populations in six States.

Higher education—work-study and cooperative education grants for institutions in rural areas increased by about 20 percent in FY 1970.

About three-fourths of Appalachian demonstration health project grants were utilized in nonmetropolitan areas during FY 1970.

Of the total of \$233 million in hospital construction grants under the Hill-Burton program for FY 1970, about 47 percent were utilized in non-metropolitan areas.

Of the 764 full-year programs under Project Head Start approximately 40 percent are rural.

Under the Aid to Families with Dependent Children Program special emphasis has been given to recruit staff for rural areas. In the southern States, about 50 percent of these programs serve a predominately rural population.

Rural electrification and telephone service has been given a boost by actions of this administration support of creation of a new private electrification bank (National Rural Utilities Cooperative Finance Cooperation), and its proposal for creation of a mixed ownership telephone bank. (This proposal was approved by the Senate during the last session of the Congress.) The former will provide supplemental financing to electrification borrowers of about \$50

million during FY 1972. The telephone bank would provide added loans of about \$94 million during 1972.

Despite the progress made in extending the services of Federal programs to rural people, much remains to be done in improving this outreach, especially for some of the manpower, education, health and other human resource programs. Such efforts are underway; for example, there has been increased effort in the Department of Labor in the past year to extend manpower and other services to rural residents. Two programs in particular, Operation Mainstream and the Smaller Communities Program appear to have provided rural outreach.

The data in the attached tables reveal that rural areas are receiving about the same proportion of program outlays, overall, as their share of national population. They receive more than their proportionate share of outlays of selected programs of USDA, USDC and SBA, but less overall of health, education, labor, HUD, Interior, Justice and OEO program outlays. These results vary widely across States.

Major increases in Federal outlays in fiscal year 1970, as compared with fiscal year 1969, occurred in non-SMSA areas for most of the selected programs. (Table 2.) These increases were especially significant in the case of rural housing, manpower development and training programs of HEW, construction grants for waste treatment by the Department of Interior, and most OEO programs.

The purpose of the SMSA-non-SMSA breakdown of the data is to compare program outlays with population distribution. Such comparisons, however, require careful interpretation. The distribution of any given Federal program may not be directly proportional to the population for a number of reasons. First, the intended beneficiaries of the program may not be uniformly distributed geographically. Some beneficiaries may be more costly to serve than others and, therefore, the funds may not be distributed uniformly even though the benefits deriving from them may be so distributed. Also, the cost of delivery to some people, due to isolation or other causes, may be prohibitive. Some programs have statutory limitations which restrict them to certain geographical areas or sizes of cities. Additionally, the reported point or county of delivery of Federal funds may not be the ultimate destination of the financial assistance. Despite these limitations, the data do indicate, generally, availability of Federal program services to rural people.

This report highlights some of the Federal program improvements that have been and will be made in non-metropolitan areas. It also indicates that there are certain difficulties which remain to be overcome in attaining the desired levels of economic and social development in non-metropolitan areas. While final attainment of these development objectives will not be an easy task, it is a task on which major strides forward have been made, and to which this Administration is firmly committed. With dedication and perseverance by all levels of Government, these objectives *can* and *will* be attained.

APPENDIX: SOURCE AND NATURE OF INFORMATION

Information on the Federal outlays in rural America of about 160 Federal programs provides the basis for this report. It was decided to utilize available data in the Federal Information Exchange System for this first report. This system reports on a twice-a-year basis the outlays for each State and county for over one thousand Federal programs. These data are supplied by the Agencies to the Office of Economic Opportunity which has responsibility for the preparation of the *Federal Outlays* report. These outlay data are subject to a number of limitations as described below. Nevertheless, they represent the best comprehensive set of data on a geographical basis for detailed Federal program outlays.

Although output measures would provide a more meaningful basis by which to judge the impact of Federal programs, they are not currently available on a systematic and comprehensive basis for the full range of Federal programs. Thus, levels of program inputs, i.e., outlays were used for this initial report.

The information reported in this study pertains only to that portion of Government-assisted services provided directly through Federal programs. It does not include that portion of programs which are supported by state and local Governments, nor does it include the matching contribution of State and local units under the various Federal programs. Thus, the measures in this initial report do not measure the total availability of Government-assisted services, but only that share provided through Federal programs.

Data for the complete fiscal year were not available in the Federal Information Exchange System for all the programs selected at the time of preparation

of this report. Agencies with only the first half of fiscal year 1970 data include the Department of Labor, the Department of Commerce, the Department of Justice and the Department of Housing and Urban Development.

For the purpose of this report the definition of Standard Metropolitan Statistical Areas (SMSA) and non-SMSA's were used to place the counties into urban and rural groups. A Standard Metropolitan Statistical Area contains at least one central city with 50,000 population or more. It includes the county in which this central city is located and adjacent counties that are found to be metropolitan in character and economically and socially integrated with the county of the central city. The classification of SMSA-non-SMSA differs significantly from the urban and rural census concepts which define urban-rural as all persons living in places of 2,500 population or less, or in open country.

The SMSA-non-SMSA definition was used instead of the traditional census urban-rural concept because—

The SMSA definitions take into account the character of the entire area and the relation to the central city, whereas, the urban-rural definition is based largely on the size of the place; and

More current and comprehensive data are available on the SMSA-non-SMSA basis.

Thus, throughout this text the SMSA-non-SMSA definition is used. However, the terms, "non-SMSA", "non-metropolitan" and "rural" are used interchangeably.

TABLE 1.—ADVANCE ESTIMATES OF POPULATION BY STATE AND AREA, 1970

State	Total	SMSA	Non-SMSA	Percent non-SMSA of total
Alabama.....	\$3,444,165	\$1,801,095	\$1,643,070	47.7
Alaska.....	300,382	300,382	300,382	100.0
Arizona.....	1,770,900	1,319,189	451,711	25.5
Arkansas.....	1,923,295	595,030	1,328,265	69.1
California.....	19,953,134	18,100,615	1,852,519	9.3
Colorado.....	2,207,259	1,581,739	625,520	28.3
Connecticut.....	3,031,709	2,584,847	446,862	14.7
Delaware.....	548,104	385,856	162,248	29.6
District of Columbia.....	756,510	756,510	756,510	100.0
Florida.....	6,789,443	4,552,229	2,237,214	33.0
Georgia.....	4,589,575	2,254,417	2,335,158	50.9
Hawaii.....	768,561	629,176	139,385	18.1
Idaho.....	712,567	112,230	600,337	84.2
Illinois.....	11,113,976	8,903,065	2,210,911	19.9
Indiana.....	5,193,669	3,213,598	1,980,071	38.1
Iowa.....	2,824,376	1,005,569	1,818,807	64.4
Kansas.....	2,246,578	949,181	1,297,397	57.7
Kentucky.....	3,218,706	1,208,538	2,010,168	62.5
Louisiana.....	3,641,306	1,996,197	1,645,109	45.2
Maine.....	992,048	283,807	708,241	71.4
Maryland.....	3,922,399	3,307,337	615,062	15.7
Massachusetts.....	5,689,170	5,523,413	165,757	2.9
Michigan.....	8,875,083	6,806,151	2,068,932	23.3
Minnesota.....	3,804,971	2,080,925	1,724,046	45.3
Mississippi.....	2,216,912	393,488	1,823,424	82.3
Missouri.....	4,676,501	2,916,169	1,760,341	37.6
Montana.....	694,409	169,171	525,238	75.6
Nebraska.....	1,483,493	634,260	849,233	57.2
Nevada.....	488,738	394,356	94,382	19.3
New Hampshire.....	737,681	223,941	513,740	69.6
New Jersey.....	7,168,164	6,219,636	948,528	13.2
New Mexico.....	1,016,000	315,774	700,226	68.9
New York.....	18,190,740	15,726,064	2,464,676	13.5
North Carolina.....	5,082,059	1,896,423	3,185,636	62.7
North Dakota.....	617,761	73,653	544,108	88.1
Ohio.....	10,652,017	8,272,512	2,379,505	22.3
Oklahoma.....	2,559,229	1,281,485	1,277,744	49.9
Oregon.....	2,091,385	1,280,691	810,694	38.8
Pennsylvania.....	11,793,909	9,365,552	2,428,357	20.6
Rhode Island.....	946,725	768,580	178,145	18.8
South Carolina.....	2,590,516	1,017,254	1,573,262	60.7
South Dakota.....	665,507	95,209	570,298	85.7
Tennessee.....	3,923,561	1,917,569	2,005,992	51.1
Texas.....	11,196,730	8,176,480	3,020,250	27.0
Utah.....	1,059,273	821,689	237,584	22.4
Vermont.....	444,330	444,330	444,330	100.0
Virginia.....	4,648,494	2,717,225	1,931,269	41.5
Washington.....	3,409,169	2,248,837	1,160,332	34.0
West Virginia.....	1,744,237	545,243	1,198,994	68.7
Wisconsin.....	4,417,731	2,185,616	2,232,115	50.5
Wyoming.....	332,416	332,416	332,416	100.0
Total.....	203,165,573	139,607,582	63,557,991	31.3

TABLE 2.—SUMMARY OF SELECTED PROGRAM OUTLAYS, BY DEPARTMENT OR AGENCY AND BY FUNCTION, FISCAL YEAR 1970, WITH SOME COMPARISONS WITH FISCAL YEAR 1969

Department or agency and function	Total outlays ¹	Percent non-SMSA of total	Percent change in total outlays, non-SMSA areas, fiscal year 1969-70
Department of Agriculture.....	\$2,598,625,552	67.9	+18.7
Housing.....	780,660,623	85.0	+56.2
Water and sewer loans and grants.....	187,056,850	83.5	-1.2
Electricity and telephone.....	468,538,268	87.7	-1.5
Resource conservation and development.....	10,472,000	80.7	+45.5
Food assistance.....	1,152,897,811	45.1	+8.1
Department of Commerce (area and regional development).....	60,685,882	76.1	(²)
Department of Health, Education, and Welfare.....	12,633,951,326	29.3	(²)
Manpower development and training.....	154,695,610	9.2	+50.8
Adult basic education.....	48,982,387	10.1	+12.2
Vocational education.....	362,905,124	10.3	(²)
Elementary and secondary education.....	1,306,032,629	17.9	+13.4
Education of handicapped.....	61,481,365	16.6	(²)
Higher education.....	783,057,435	18.7	-44.9
Headstart and Follow Through.....	397,749,605	37.6	+9.6
Health.....	891,356,875	23.8	-3.4
Rehabilitation.....	448,717,312	45.7	(²)
Community and social service.....	1,063,967,423	22.8	(²)
Including maintenance and welfare ³	7,115,007,551	33.1	(²)
Department of Housing and Urban Development ⁴	5,295,740,555	14.5	(²)
Housing.....	4,788,819,000	13.4	(²)
Urban and community development.....	508,921,555	24.4	(²)
Department of the Interior.....	511,524,398	11.5	+66.9
Water supply and water pollution control.....	92,207,011	20.3	-10.0
Construction grants for waste treatment.....	419,317,387	9.6	+174.0
Department of Justice (grants for law enforcement assistance).....	11,405,214	16.1	(²)
Department of Labor (manpower training and employment service).....	578,734,233	22.8	(²)
Office of Economic Opportunity.....	686,200,055	25.3	+14.5
Community action.....	530,000,237	28.6	+15.5
Legal service.....	53,639,281	12.1	+21.9
Neighborhood health center.....	72,631,402	11.3	-10.6
VISTA.....	29,929,135	23.9	+24.1
Small Business Administration (loans and financial service).....	644,706,975	39.4	-3.8
All departments and agencies, total ⁴	23,022,574,190	32.1	(²)

¹ Amounts shown are the most appropriate financial measure of Federal activity; i.e., outlays, new commitments, guarantees, obligations, etc.

² 1st half of fiscal year 1970 only.

³ Excludes social security trust funds for medical insurance and OASDI.

⁴ Data on outlays for fiscal year 1969 and fiscal year 1970 were not comparable.

TABLE 3.—DEPARTMENT OF AGRICULTURE OUTLAYS FOR SELECTED PROGRAMS BY STATE AND AREA FOR FISCAL YEAR 1970

State	Total	SMSA	Non-SMSA	Percent non-SMSA of total
Alabama	\$85,867,888	\$26,946,735	\$58,921,153	68.6
Alaska	31,363,453		31,363,453	100.0
Arizona	27,010,989	12,929,764	14,081,225	52.1
Arkansas	89,799,546	15,718,242	74,081,304	82.5
California	121,106,250	93,951,431	27,154,819	22.4
Colorado	50,638,994	13,698,999	36,939,995	72.9
Connecticut	13,363,835	11,894,297	1,469,538	11.0
Delaware	6,126,600	1,238,819	4,887,781	79.8
District of Columbia	7,326,180	7,326,180		
Florida	53,865,124	20,090,672	33,774,452	62.7
Georgia	85,903,104	14,652,270	71,250,834	82.9
Hawaii	9,554,041	4,482,140	5,071,901	53.1
Idaho	22,137,067	1,352,430	20,784,637	93.9
Illinois	61,173,667	30,586,167	30,587,500	50.0
Indiana	46,727,096	17,584,566	29,142,530	62.4
Iowa	54,396,886	7,763,386	46,633,500	85.7
Kansas	32,681,416	6,014,505	26,666,911	81.3
Kentucky	91,835,419	4,950,070	86,885,349	94.6
Louisiana	77,593,177	23,456,207	54,136,970	69.8
Maine	20,746,891	3,455,580	17,291,311	83.3
Maryland	32,115,505	14,652,036	17,463,469	54.4
Massachusetts	61,992,984	61,370,172	662,812	1.0
Michigan	53,083,919	24,529,192	28,554,727	53.8
Minnesota	42,212,177	8,924,485	33,287,692	78.9
Mississippi	123,018,989	5,519,653	117,499,336	95.5
Missouri	77,318,629	18,929,652	58,388,977	75.5
Montana	31,577,287	1,812,067	29,765,220	94.3
Nebraska	24,596,295	2,326,280	22,270,015	90.5
Nevada	18,684,141	2,109,956	16,574,185	88.7
New Hampshire	8,631,528	2,689,003	5,942,525	68.8
New Jersey	33,804,585	19,891,260	13,913,325	41.2
New Mexico	23,062,127	4,636,782	18,425,345	79.9
New York	78,641,292	52,325,276	26,316,016	33.5
North Carolina	116,648,112	20,699,176	95,948,936	82.3
North Dakota	27,146,676	917,644	26,229,032	96.6
Ohio	62,274,908	37,286,246	24,988,662	40.1
Oklahoma	90,715,980	26,590,112	64,125,868	70.7
Oregon	29,891,372	13,271,489	16,619,883	55.6
Pennsylvania	65,344,786	34,597,723	30,747,063	47.1
Rhode Island	3,620,367	3,620,367		0
South Carolina	116,459,553	24,535,578	91,923,975	78.9
South Dakota	28,825,522	935,170	27,890,352	96.8
Tennessee	82,694,236	18,453,567	64,240,669	77.7
Texas	151,230,237	59,862,997	91,367,240	60.4
Utah	18,342,443	8,167,281	10,175,162	55.5
Vermont	11,656,375		11,656,375	100.0
Virginia	53,421,071	12,404,057	41,017,014	76.8
Washington	50,159,081	23,616,293	26,542,788	52.9
West Virginia	38,556,333	7,665,941	30,890,412	80.1
Wisconsin	47,527,453	9,008,965	38,518,488	81.0
Wyoming	8,649,799		8,649,799	100.0

TABLE 4.—DEPARTMENT OF COMMERCE OUTLAYS FOR SELECTED PROGRAMS BY STATE AND AREA FIRST HALF FISCAL YEAR 1970

State	Total	SMSA	Non-SMSA	Percent non-SMSA of total
Alabama.....	\$4,704,000	\$5,000	\$4,699,000	99.9
Alaska.....	2,000,000		2,000,000	100.0
Arizona.....	106,225	106,225		0
Arkansas.....	3,486,350	322,000	3,164,350	90.8
California.....	2,515,358	1,248,906	1,266,452	50.3
Colorado.....	1,823,500	747,500	1,076,000	59.0
Connecticut.....	2,789,050	2,789,050		0
Delaware.....				
District of Columbia.....	467,968	467,968		0
Florida.....	213,267	168,767	44,500	20.9
Georgia.....	1,937,000		1,937,000	100.0
Hawaii.....				
Idaho.....	750,000		750,000	100.0
Illinois.....	628,750	12,250	616,500	98.1
Indiana.....				
Iowa.....				
Kansas.....				
Kentucky.....	1,011,500		1,011,500	100.0
Louisiana.....	338,324	98,324	240,000	70.9
Maine.....	571,500		571,500	100.0
Maryland.....	92,500		92,500	100.0
Massachusetts.....	607,985	607,985		0
Michigan.....	1,065,030	1,918	1,063,112	99.8
Minnesota.....	1,262,258		1,262,258	100.0
Mississippi.....	6,307,750	495,000	5,812,750	92.2
Missouri.....	2,268,785	90,000	2,178,785	96.0
Montana.....	165,030		165,030	100.0
Nebraska.....				
Nevada.....				
New Hampshire.....	50,700		50,700	100.0
New Jersey.....	291,460	291,460		0
New Mexico.....	1,217,319		1,217,319	100.0
New York.....	1,175,743	463,243	712,500	60.6
North Carolina.....	1,075,500		1,075,500	100.0
North Dakota.....	2,636,551	120,551	2,516,000	95.4
Ohio.....	3,164,490	357,600	2,806,890	88.7
Oklahoma.....	3,144,760	1,207,160	1,937,600	61.6
Oregon.....	212,500		212,500	100.0
Pennsylvania.....	3,178,892	2,493,842	685,050	21.5
Rhode Island.....	1,799,000	1,799,000		0
South Carolina.....	882,950		882,950	100.0
South Dakota.....	63,200		63,200	100.0
Tennessee.....	856,300		856,300	100.0
Texas.....	2,763,617	371,387	2,392,230	86.6
Utah.....	183,000		183,000	100.0
Vermont.....				
Virginia.....	289,000		289,000	100.0
Washington.....	1,051,000		1,051,000	100.0
West Virginia.....	1,226,800	49,800	1,177,000	95.9
Wisconsin.....	311,000	179,000	132,000	42.4
Wyoming.....				

TABLE 5.—DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE OUTLAYS FOR
SELECTED PROGRAMS BY STATE AND AREA, FISCAL YEAR 1970

State	Total	SMSA	Non-SMSA	Percent non-SMSA of Total
Alabama.....	\$251,583,919	\$179,610,995	\$132,972,924	52.8
Alaska.....	29,701,008	29,701,008	29,701,008	100.0
Arizona.....	97,715,281	65,116,439	32,598,842	33.3
Arkansas.....	125,845,933	42,700,941	83,144,992	66.0
California.....	1,981,881,863	1,724,301,549	257,580,314	12.9
Colorado.....	144,198,098	94,310,522	49,887,576	34.5
Connecticut.....	151,545,557	146,520,425	4,906,132	3.2
Delaware.....	239,983,800	215,518,768	12,465,032	51.9
District of Columbia.....	311,419,291	311,419,291	311,419,291	100.0
Florida.....	226,900,827	175,179,916	91,720,908	34.3
Georgia.....	295,532,410	135,436,941	160,148,469	54.1
Hawaii.....	36,336,972	40,445,478	6,891,494	14.5
Idaho.....	36,917,593	11,189,085	25,728,508	69.6
Illinois.....	562,701,211	453,319,897	109,381,314	19.4
Indiana.....	126,489,576	86,203,852	40,285,724	31.8
Iowa.....	108,041,973	47,795,244	60,246,729	55.7
Kansas.....	113,961,127	49,885,791	64,075,336	56.2
Kentucky.....	205,418,337	41,493,633	163,924,704	79.8
Louisiana.....	226,655,728	136,430,661	130,315,067	48.8
Maine.....	66,724,538	15,456,005	51,268,533	76.8
Maryland.....	200,709,713	168,283,088	32,426,625	16.1
Massachusetts.....	397,238,038	387,877,860	9,359,178	2.3
Michigan.....	398,612,113	294,686,280	103,925,833	26.0
Minnesota.....	202,722,097	114,137,296	88,584,801	43.6
Mississippi.....	177,515,973	44,690,394	132,825,579	74.8
Missouri.....	252,731,739	101,366,943	151,364,796	59.8
Montana.....	42,313,718	7,269,778	35,043,940	82.8
Nebraska.....	67,943,037	35,775,593	32,167,445	47.3
Nevada.....	22,081,899	13,831,213	8,187,686	37.1
New Hampshire.....	22,879,655	14,258,666	8,620,989	37.6
New Jersey.....	262,204,408	217,769,110	44,435,298	16.9
New Mexico.....	76,585,872	18,576,622	58,009,250	75.7
New York.....	1,386,458,344	1,263,174,625	123,283,659	8.8
North Carolina.....	242,391,061	107,974,425	134,416,636	55.4
North Dakota.....	38,190,214	2,909,033	35,281,181	92.3
Ohio.....	412,361,636	322,774,997	89,586,639	21.7
Oklahoma.....	180,739,656	75,044,566	105,695,090	58.4
Oregon.....	103,775,363	70,213,389	33,561,974	32.3
Pennsylvania.....	628,110,547	503,037,982	125,072,565	19.9
Rhode Island.....	67,307,303	67,307,303	67,307,303	100.0
South Carolina.....	124,937,469	52,019,061	72,918,408	58.3
South Dakota.....	42,632,612	3,598,183	39,034,428	91.5
Tennessee.....	213,127,873	110,275,234	102,852,639	48.2
Texas.....	602,222,423	392,792,668	209,429,755	34.7
Utah.....	66,625,081	49,951,175	16,674,906	25.0
Vermont.....	34,530,231	34,530,231	34,530,231	100.0
Virginia.....	209,766,511	130,373,552	79,392,959	37.8
Washington.....	189,177,830	103,911,756	85,266,074	45.0
West Virginia.....	104,394,079	34,619,421	69,774,658	66.8
Wisconsin.....	213,358,933	102,988,687	110,370,246	51.7
Wyoming.....	15,841,675	15,841,675	15,841,675	100.0

TABLE 6.—DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT OUTLAYS FOR SELECTED PROGRAMS, BY STATE AND AREA, FIRST HALF FISCAL YEAR 1970

State	Total	SMSA	Non-SMSA	Percent non-SMSA of total
Alabama.....	\$58,817,149	\$35,835,696	\$22,981,453	39.1
Alaska.....	23,843,508	23,843,508	0	100.0
Arizona.....	120,276,686	110,672,082	9,604,604	8.0
Arkansas.....	28,087,167	15,266,435	12,820,732	45.6
California.....	687,661,653	649,265,959	38,395,694	5.6
Colorado.....	63,251,158	60,257,857	2,993,301	4.7
Connecticut.....	60,117,149	59,922,149	195,000	0.3
Delaware.....	19,471,000	17,918,000	1,553,000	8.0
District of Columbia.....	39,663,247	39,663,247	0	100.0
Florida.....	227,467,151	186,326,776	41,140,375	18.1
Georgia.....	110,963,591	85,723,526	25,240,065	22.7
Hawaii.....	19,210,413	19,210,413	0	100.0
Idaho.....	20,570,024	12,930,024	7,640,000	37.1
Illinois.....	265,217,443	248,811,534	16,405,909	6.2
Indiana.....	137,843,111	113,119,111	24,724,000	17.9
Iowa.....	38,468,518	27,488,518	10,980,000	28.5
Kansas.....	36,565,062	27,639,752	8,925,310	24.4
Kentucky.....	56,405,510	42,883,077	13,522,433	24.0
Louisiana.....	71,715,000	58,289,000	13,426,000	18.7
Maine.....	15,089,362	8,702,162	6,387,200	42.3
Maryland.....	95,338,083	86,320,212	9,017,871	9.5
Massachusetts.....	134,965,200	134,001,224	962,976	0.7
Michigan.....	483,196,922	458,022,235	25,174,687	5.2
Minnesota.....	103,604,921	89,898,674	13,706,247	13.2
Mississippi.....	47,192,198	7,833,000	39,359,198	83.4
Missouri.....	109,255,317	98,498,198	10,757,119	9.8
Montana.....	14,692,854	5,072,000	9,620,854	65.5
Nebraska.....	29,573,000	24,203,000	5,370,000	18.2
Nevada.....	28,799,861	27,436,861	1,363,000	4.7
New Hampshire.....	13,467,514	9,288,447	4,179,067	31.0
New Jersey.....	194,174,873	151,832,552	42,342,321	21.8
New Mexico.....	23,262,558	12,140,000	11,122,558	47.8
New York.....	392,981,171	358,420,925	34,560,246	8.8
North Carolina.....	66,211,779	48,137,645	18,074,134	27.3
North Dakota.....	8,216,000	1,886,000	6,330,000	77.0
Ohio.....	226,792,981	210,843,676	15,949,305	7.0
Oklahoma.....	60,361,152	39,770,736	20,590,416	34.1
Oregon.....	42,477,285	32,707,285	9,770,000	23.0
Pennsylvania.....	208,094,577	194,244,929	13,849,648	6.7
Rhode Island.....	12,911,448	12,911,448	0	100.0
South Carolina.....	53,533,846	29,635,000	23,898,846	44.6
South Dakota.....	14,546,494	4,058,000	10,488,494	72.1
Tennessee.....	87,799,877	66,518,930	21,280,947	24.2
Texas.....	334,914,059	305,883,265	29,030,794	8.7
Utah.....	22,229,000	20,298,000	1,931,000	8.7
Vermont.....	11,708,195	11,708,195	0	100.0
Virginia.....	107,792,171	87,828,924	19,963,247	18.5
Washington.....	211,891,087	176,400,524	35,490,563	16.7
West Virginia.....	21,628,230	15,287,236	6,340,994	29.3
Wisconsin.....	28,891,000	20,706,000	8,185,000	28.3
Wyoming.....	4,514,000	4,514,000	0	100.0

TABLE 7.—DEPARTMENT OF INTERIOR OUTLAYS FOR SELECTED PROGRAMS BY STATE AND AREA
FISCAL YEAR 1970

State	Total	SMSA	Non-SMSA	Percent non-SMSA of total
Alabama.....	\$2,633,589	\$2,633,589		0
Alaska.....	2,189,630		\$2,189,630	100.0
Arizona.....	1,573,676	1,573,676		0
Arkansas.....	1,929,480	1,929,480		0
California.....	32,453,363	32,153,863	299,500	.9
Colorado.....	3,726,096	3,491,549	234,547	6.3
Connecticut.....	4,204,272	4,204,272		0
Delaware.....	233,001	147,801	85,200	36.6
District of Columbia.....	14,050,907	14,050,907		0
Florida.....	14,311,990	14,003,167	308,823	2.2
Georgia.....	16,008,094	14,182,052	1,826,042	11.4
Hawaii.....	406,516	406,516		0
Idaho.....	1,694,594	1,648,394	46,200	2.7
Illinois.....	43,823,970	43,661,746	162,224	.4
Indiana.....	13,976,975	13,932,623	44,352	.3
Iowa.....	3,543,003	3,207,439	335,564	9.5
Kansas.....	1,614,184	1,561,927	52,257	3.2
Kentucky.....	1,701,454	1,532,454	169,000	9.9
Louisiana.....	3,275,726	3,237,650	38,076	1.2
Maine.....	1,750,399	46,433	1,703,966	97.3
Maryland.....	15,182,758	15,054,056	128,702	.8
Massachusetts.....	18,429,601	18,081,719	348,082	1.9
Michigan.....	11,299,284	10,820,969	478,315	4.2
Minnesota.....	15,680,466	15,573,254	107,212	.7
Mississippi.....	5,689,584	5,664,471	25,113	.6
Missouri.....	13,382,528	877,907	12,504,621	93.4
Montana.....	649,774	445,168	204,606	31.4
Nebraska.....	2,529,334	2,487,536	41,798	1.6
Nevada.....	2,405,802	2,381,502	24,300	1.0
New Hampshire.....	3,704,685	3,548,260	156,425	4.2
New Jersey.....	26,364,585	24,491,097	1,873,488	7.1
New Mexico.....	2,459,795		2,459,795	100.0
New York.....	59,137,648	58,916,750	220,898	.4
North Carolina.....	5,436,653	5,298,516	138,136	2.5
North Dakota.....	804,915	228,513	576,402	71.6
Ohio.....	18,589,588	18,502,472	87,116	.5
Oklahoma.....	3,458,482	1,724,294	1,734,098	50.1
Oregon.....	12,219,200	10,178,453	2,040,747	16.7
Pennsylvania.....	33,209,505	32,834,583	374,922	1.1
Rhode Island.....	3,279,582	3,279,582		0
South Carolina.....	9,634,125	9,634,125		0
South Dakota.....	403,990		403,990	100.0
Tennessee.....	15,248,211	15,248,211		0
Texas.....	15,268,287	14,225,064	1,043,223	6.8
Utah.....	1,217,990	924,119	293,871	24.1
Vermont.....	3,377,855		3,377,855	100.0
Virginia.....	10,611,680	916,297	9,695,383	91.4
Washington.....	12,967,656	280,591	12,687,065	97.8
West Virginia.....	1,899,530	1,636,052	263,478	13.9
Wisconsin.....	21,647,875	21,647,875		0
Wyoming.....	222,301		222,301	100.0

TABLE 8.—DEPARTMENT OF JUSTICE GRANTS FOR LAW ENFORCEMENT ASSISTANCE BY STATE AND AREA FOR FIRST HALF FISCAL YEAR 1970

State	Total	SMSA	Non-SMSA	Percent non-SMSA of total
Alabama.....	\$71,600	\$43,100	\$28,500	39.8
Alaska.....	39,200		39,200	100.0
Arizona.....	158,700	143,600	15,100	9.5
Arkansas.....	2,100		2,100	100.0
California.....	1,179,143	1,112,443	66,700	5.7
Colorado.....	201,467	167,867	33,600	16.7
Connecticut.....	253,300	253,800	1,500	.6
Delaware.....	67,600	40,800	26,800	39.6
District of Columbia.....	1,772,250	1,772,250		0
Florida.....	243,900	178,800	65,100	26.7
Georgia.....	270,425	152,625	117,800	43.6
Hawaii.....	1,700		1,700	100.0
Idaho.....	90,100	52,500	37,600	41.7
Illinois.....	367,292	333,492	33,800	9.2
Indiana.....	128,900	28,900	100,000	77.6
Iowa.....	205,618	180,418	25,200	12.3
Kansas.....	124,500	78,100	46,400	37.3
Kentucky.....	99,400	17,800	81,600	82.1
Louisiana.....	211,100	209,400	1,700	.8
Maine.....	75,800		75,800	100.0
Maryland.....	268,949	243,049	25,900	9.6
Massachusetts.....	409,123	409,123		0
Michigan.....	714,916	691,116	23,800	3.3
Minnesota.....	186,400	171,700	14,700	7.9
Mississippi.....	130,300	69,700	60,600	46.5
Missouri.....	95,800	54,900	40,900	42.7
Montana.....	69,000	9,700	59,300	85.9
Nebraska.....	38,200	35,400	2,800	7.3
Nevada.....	30,400	20,000	10,400	34.2
New Hampshire.....	12,700	10,300	2,400	18.9
New Jersey.....	473,900	447,700	26,200	5.5
New Mexico.....	114,100	26,600	87,500	76.7
New York.....	880,294	835,994	44,300	5.0
North Carolina.....	65,600	19,800	45,800	69.8
North Dakota.....	29,900	7,500	22,400	74.9
Ohio.....	209,100	203,900	5,200	2.5
Oklahoma.....	70,271	19,071	51,200	72.9
Oregon.....	228,900	146,800	82,100	35.9
Pennsylvania.....	387,494	344,294	43,200	11.1
Rhode Island.....	6,600	6,600		0
South Carolina.....	28,278	22,178	6,100	21.6
South Dakota.....	37,100	12,500	24,600	66.3
Tennessee.....	39,400	23,300	16,100	40.9
Texas.....	579,777	459,077	120,700	20.8
Utah.....	78,300	74,000	4,300	5.5
Vermont.....	48,000		48,000	100.0
Virginia.....	177,100	162,600	14,500	8.2
Washington.....	140,600	81,600	59,000	42.0
West Virginia.....	117,700	114,200	3,500	3.0
Wisconsin.....	117,300	86,200	31,100	26.5
Wyoming.....	53,617		53,617	100.0

TABLE 9.—DEPARTMENT OF LABOR OUTLAYS FOR SELECTED PROGRAMS BY STATE AND AREA FIRST HALF FISCAL YEAR 1970

State	Total	SMSA	Non-SMAS	Percent non-SMSA of total
Alabama.....	\$10,474,367	\$7,338,448	\$3,135,919	29.9
Alaska.....	2,301,014	2,301,014	0	100.0
Arizona.....	6,433,145	4,776,224	1,656,921	25.8
Arkansas.....	6,068,910	3,595,811	2,473,099	40.8
California.....	82,921,655	79,384,532	3,537,123	4.3
Colorado.....	4,162,837	3,040,734	1,122,103	27.0
Connecticut.....	6,826,354	6,769,529	56,825	.8
Delaware.....	859,427	447,902	411,525	47.9
District of Columbia.....	19,392,494	19,392,494	0	0
Florida.....	10,794,131	9,640,640	1,153,491	10.7
Georgia.....	11,414,178	8,202,581	3,211,597	28.1
Hawaii.....	2,435,675	2,435,675	0	100.0
Idaho.....	1,824,241	914,896	909,345	49.8
Illinois.....	26,598,084	21,813,991	4,784,093	18.0
Indiana.....	18,031,053	12,069,853	5,961,200	33.1
Iowa.....	3,090,809	1,798,446	1,292,363	41.8
Kansas.....	2,477,123	1,292,173	1,184,950	47.8
Kentucky.....	15,803,155	1,597,643	14,205,512	89.9
Louisiana.....	11,066,078	8,962,292	2,103,786	19.0
Maine.....	1,903,049	329,787	1,573,262	82.7
Maryland.....	5,938,944	4,941,917	997,027	16.8
Massachusetts.....	11,059,923	10,950,966	88,957	.8
Michigan.....	16,108,908	14,426,226	1,682,682	10.4
Minnesota.....	10,540,881	6,197,553	4,343,328	41.2
Mississippi.....	7,201,840	2,283,473	4,918,367	68.3
Missouri.....	9,645,902	5,905,392	3,740,510	38.8
Montana.....	1,823,752	350,768	1,472,984	80.8
Nebraska.....	3,257,635	1,910,622	1,347,013	41.3
Nevada.....	1,370,859	674,708	696,151	50.8
New Hampshire.....	1,482,910	11,113,693	369,217	24.9
New Jersey.....	25,075,147	22,944,872	2,130,275	8.5
New Mexico.....	6,193,805	4,796,693	1,397,112	22.6
New York.....	47,553,401	44,405,103	3,148,298	6.6
North Carolina.....	9,181,999	5,375,149	3,806,850	41.4
North Dakota.....	1,594,220	174,433	1,419,787	89.1
Ohio.....	21,631,903	18,755,030	2,876,933	13.3
Oklahoma.....	10,435,188	3,618,824	6,816,364	65.3
Oregon.....	8,049,780	6,707,695	1,342,085	16.7
Pennsylvania.....	28,744,792	25,861,642	2,883,150	10.0
Rhode Island.....	2,927,130	2,927,130	0	0
South Carolina.....	8,308,437	3,502,102	4,806,335	57.8
South Dakota.....	2,224,219	170,517	2,053,702	92.3
Tennessee.....	11,908,165	8,103,361	3,804,804	32.0
Texas.....	37,301,044	30,501,264	6,799,780	18.2
Utah.....	7,038,449	6,541,709	496,740	7.1
Vermont.....	1,625,973	1,625,973	0	100.0
Virginia.....	9,684,470	7,300,576	2,383,894	24.6
Washington.....	8,265,592	3,896,402	4,369,190	52.9
West Virginia.....	7,936,689	5,962,182	1,974,507	24.9
Wisconsin.....	8,765,055	5,083,403	3,681,652	42.0
Wyoming.....	999,817	999,817	0	100.0

TABLE 10.—OFFICE OF ECONOMIC OPPORTUNITY OUTLAYS FOR SELECTED PROGRAMS, BY STATE AND AREA FOR FISCAL YEAR 1970

State	Total	SMSA	Non-SMSA	Percent non-SMSA of total
Alabama	\$12,115,560	\$4,852,908	\$7,262,652	59.9
Alaska	4,518,192	4,518,192	0	100.0
Arizona	14,939,799	4,536,481	10,403,318	69.6
Arkansas	8,870,717	3,959,391	4,911,326	55.4
California	66,672,910	61,103,803	5,569,107	8.4
Colorado	11,631,098	9,100,952	2,530,146	21.8
Connecticut	5,867,555	5,609,703	257,852	4.4
Delaware	557,606	494,155	63,451	11.4
District of Columbia	47,840,416	47,840,416	0	0
Florida	14,480,022	11,460,917	3,019,105	20.9
Georgia	20,047,572	14,102,334	5,945,238	29.7
Hawaii	2,706,984	1,694,546	1,012,438	37.4
Idaho	1,402,214	367,024	1,035,190	73.8
Illinois	33,347,624	31,679,492	1,668,132	5.0
Indiana	5,793,448	4,189,689	1,603,759	27.7
Iowa	6,376,172	2,773,412	3,602,760	56.5
Kansas	3,904,772	2,864,039	1,040,683	26.7
Kentucky	12,623,497	5,615,263	7,008,234	55.5
Louisiana	14,321,902	8,777,378	5,544,524	38.7
Maine	2,909,666	1,118,337	1,791,329	61.6
Maryland	10,051,559	8,421,826	1,629,733	16.2
Massachusetts	21,666,619	21,139,484	527,135	2.4
Michigan	19,476,425	15,237,239	4,239,186	21.8
Minnesota	9,354,984	5,652,018	3,702,966	39.6
Mississippi	11,505,855	2,694,810	8,811,045	76.6
Missouri	18,714,327	13,182,935	5,531,392	29.6
Montana	3,932,942	413,077	3,519,865	89.5
Nebraska	3,899,771	2,194,432	1,705,339	43.7
Nevada	1,633,786	1,386,528	247,258	15.1
New Hampshire	1,421,599	908,394	513,205	36.1
New Jersey	17,914,180	15,543,389	2,370,791	13.2
New Mexico	7,023,945	2,752,081	4,271,864	60.8
New York	74,333,280	70,881,894	3,451,386	4.6
North Carolina	16,382,778	8,285,827	8,096,951	49.4
North Dakota	2,297,748	108,572	2,189,176	95.3
Ohio	22,050,836	18,681,230	3,369,606	15.3
Oklahoma	11,415,689	6,135,460	5,280,229	46.3
Oregon	6,194,850	4,801,629	1,393,221	22.5
Pennsylvania	31,105,885	28,364,376	2,741,509	8.8
Rhode Island	2,998,515	2,998,515	0	0
South Carolina	10,329,027	5,082,271	5,236,756	50.7
South Dakota	3,301,656	69	3,301,587	100.0
Tennessee	13,533,415	8,059,605	5,473,810	40.4
Texas	28,843,603	22,732,411	6,111,192	21.2
Utah	3,543,353	2,916,857	626,496	17.7
Vermont	2,029,011	2,029,011	0	100.0
Virginia	9,929,651	5,695,788	4,233,863	42.6
Washington	9,505,441	5,520,108	3,985,333	41.9
West Virginia	8,178,475	1,879,694	6,298,781	77.0
Wisconsin	11,746,715	8,783,029	2,963,686	25.2
Wyoming	756,459	756,459	0	100.0

TABLE 11.—SMALL BUSINESS ADMINISTRATION OUTLAYS FOR SELECTED PROGRAMS BY STATE AND AREA FOR FISCAL YEAR 1970

State	Total	SMSA	Non-SMSA	Percent non-SMSA of total
Alabama.....	\$11,536,825	\$5,695,555	\$5,841,270	50.6
Alaska.....	8,778,772		8,778,772	100.0
Arizona.....	4,255,934	3,212,635	1,043,299	24.5
Arkansas.....	7,471,468	3,056,740	4,414,728	59.1
California.....	45,544,567	41,843,258	3,701,309	8.1
Colorado.....	24,138,472	14,230,077	9,908,395	41.0
Connecticut.....	8,078,227	7,927,927	150,300	1.9
Delaware.....	756,000	701,500	54,500	7.2
District of Columbia.....	5,522,315	5,522,315		0
Florida.....	20,395,650	10,759,650	9,636,000	47.2
Georgia.....	16,099,431	8,312,113	7,787,318	48.4
Hawaii.....	3,874,210	2,652,110	1,222,100	31.5
Idaho.....	8,278,950	1,738,625	6,540,325	79.0
Illinois.....	27,240,285	20,772,460	6,467,825	23.7
Indiana.....	10,501,858	6,600,281	3,901,577	37.2
Iowa.....	11,075,276	4,209,392	6,865,884	62.0
Kansas.....	16,798,349	5,564,063	11,234,286	66.9
Kentucky.....	6,081,556	1,934,282	4,147,274	68.2
Louisiana.....	11,225,756	7,751,431	3,474,325	30.9
Maine.....	5,824,078	1,057,300	4,766,778	81.8
Maryland.....	6,860,570	5,501,570	1,359,000	19.8
Massachusetts.....	25,979,028	25,449,928	529,100	2.0
Michigan.....	17,896,033	10,387,446	7,508,587	42.0
Minnesota.....	18,747,657	8,508,445	10,239,212	54.6
Mississippi.....	11,546,453	1,143,772	10,402,681	90.1
Missouri.....	12,543,699	6,281,226	6,262,473	49.9
Montana.....	5,160,684	1,533,669	3,627,015	70.3
Nebraska.....	9,936,565	4,390,415	5,546,150	55.8
Nevada.....	772,060	680,450	91,610	11.9
New Hampshire.....	3,521,697	1,130,975	2,390,722	67.9
New Jersey.....	14,467,445	10,796,515	3,670,930	25.4
New Mexico.....	5,364,185	2,399,325	2,964,860	55.3
New York.....	51,506,519	45,889,623	5,616,896	10.9
North Carolina.....	8,647,104	3,637,225	5,009,879	57.9
North Dakota.....	5,351,465	720,970	4,630,495	86.5
Ohio.....	11,573,793	9,163,453	2,410,340	20.8
Oklahoma.....	4,720,674	2,928,624	1,792,050	38.0
Oregon.....	10,719,893	5,532,312	5,187,581	48.4
Pennsylvania.....	19,904,476	16,815,296	4,089,180	20.5
Rhode Island.....	4,916,565	4,916,565		0
South Carolina.....	6,417,755	2,564,775	3,852,980	60.0
South Dakota.....	9,339,355	1,667,450	7,671,905	82.1
Tennessee.....	12,290,977	4,308,137	7,982,840	64.9
Texas.....	46,992,286	32,871,944	14,120,342	30.0
Utah.....	10,374,508	6,687,250	3,687,258	35.5
Vermont.....	3,294,387		3,294,387	100.0
Virginia.....	9,606,540	5,653,270	3,953,270	41.2
Washington.....	15,576,317	8,207,561	7,368,756	47.3
West Virginia.....	6,299,163	2,159,451	4,139,712	65.7
Wisconsin.....	13,550,783	5,215,901	7,334,882	54.1
Wyoming.....	7,352,360		7,352,360	100.0

(The following material, consisting of questions submitted to Mr. Ink by Senator Percy, and the answers therefrom, was subsequently received for the record:)

EXHIBIT 5

EXECUTIVE OFFICE OF THE PRESIDENT,
OFFICE OF MANAGEMENT AND BUDGET,
Washington, D.C. May 7, 1971.

HON. CHARLES H. PERCY,
U.S. Senate, Washington, D.C.
Attention: Mr. Robert Vastine.

DEAR SENATOR PERCY: Following are answers to questions on my testimony that were given to me on your behalf by Bob Vastine.

Q. You mention (p. 14) the potential of Federal Regional Councils for coordinating Federal activities. Would you explain more fully the regional council structure? To what agency do they report? What is their relationship to the Office of Management and Budget and to the structure of local and State clearinghouses established by OMB Circular No. A-95?

A. I have attached a copy of an OMB paper, "The Regional Council Concept" which describes how the Councils are set up and what they do. It describes their structure and relationships to OMB and others. There is no formal relationship with the clearinghouse system, but FRC's have been assigned the task of helping to assure agency implementation of Circular No. A-95. In a number of instances arrangements have been made for continuing liaison between the FRC and the clearinghouses in the States covered by the Region. It is too early to determine how effective this will be.

Q. On pages 18 and 19, you discuss the provision in the President's rural development special revenue sharing proposal that would require states to establish statewide multi-county planning districts. How would this *new* system of districts relate to the existing overlay of Federal administrative districts that you describe earlier in your testimony?

A. It is anticipated that the districts called for under rural revenue sharing would be built on the sub-State systems established under A-95. Of course, Federal regions cover whole States and sub-State systems which generally lie wholly within States (with some special arrangements for interstate metropolitan areas). However, in the case of Federal subregions, to the extent that its boundaries may cut across a State, it is already policy to have them follow sub-State districts' lines. This policy would continue.

Q. The bill to create a Department of Community Development (S. 1430) establishes a system of regional administrators for the new department who report directly to the Secretary of DCD. Would you explain for us how the new regional administrative structures envisioned by the DCD bill and the other three proposed new departments would mesh with the structure set up by Circular A-95, the Federal Regional Councils, and the planning system required by the special revenue sharing bill for rural development?

A. At present, as you know, the ten "Standard" Federal Regions and the Federal Regional Councils in each include HUD, HEW, the Department of Labor, OEO and a representative of DOT. The reorganizations proposed would move a number of programs now in other agencies to the new departments, which at present do not fall into this "standard" regional framework. To the extent practical, realignments of the regional organizations of the new agencies would be made to conform to the Standard Federal Regional Boundaries and the four regional directors in each region would be full members of the Regional Councils. However, some of the programs would not be represented in all ten regions, such as Land Management programs oriented primarily to the Western States. Further, it is not likely that all agency regional headquarters would be located in the ten Regional Council Cities since our current emphasis is on common geography rather than collocation.

Relationships with the A-95 structure and the planning system required by rural revenue sharing are described in the answer to the previous question.

I trust that the above are responsive to your questions. If we can provide further information, please let us know.

Sincerely,

DWIGHT A. INK,
Assistant Director.

Enclosure.

EXECUTIVE OFFICE OF THE PRESIDENT,
OFFICE OF MANAGEMENT AND BUDGET,
Washington, D.C., January 25, 1971.

THE REGIONAL COUNCIL CONCEPT

On September 30, 1970, we completed realignment of the field operations of the principal Federal agencies concerned with social programs into ten standard regions, and relocation of the regional headquarters for these agencies in the same city in each region.

Furthermore, I have directed that the regional directors of HEW, HUD, the Manpower Administration, OEO, and the regional representatives of the Secretary of Transportation in each of these headquarters cities, convene themselves as a Federal Regional Council. These Councils are to develop and maintain close working relationships with State and local governments, to coordinate their

grant programs in a manner responsive to other levels of government, and when necessary, to convene their counterparts from other Federal departments and agencies to develop means to react better to specific regional, State and local problems.

RICHARD NIXON.

OBJECTIVES

Councils provide a framework for participating agencies to work together in defining and solving shared problems. Experience has demonstrated that as regional directors and their staffs work together, an atmosphere is developed which promotes candid exchanges, mutual respect, and an improved climate for program coordination. In this framework, councils identify problem areas in the operations of interrelated Federal programs of assistance to States and communities; develop multi-agency strategies and mechanisms to coordinate the implementation of Federal programs; and council members direct within their own agencies the necessary actions to support coordinated strategies and management. Where authority or resources are not available in the regions, the councils refer issues to Washington. Within the framework of Washington policy, councils are expected to initiate action and determine their areas of concentration. Councils do not arrogate any responsibilities of other levels of government; they are supportive of and responsive to State and local governments.

FUNCTIONS

Regional councils are an evolving mechanism to improve Federal interagency coordination among interrelated programs at the regional level. Experience to date has led to the identification of the council functions listed below. Others will emerge as the council system develops.

(1) *Monitor existing coordination mechanisms.*—Regional councils are responsible for monitoring the effectiveness of such existing interagency groups as the Model Cities Committee (RICC), the regional CAMPS Committee, etc. Problems that cannot be solved by agency representatives in such committees should be brought to the attention of the councils before they are referred to established Washington coordination groups, such as the Model Cities Washington Interagency Coordination Committee. Councils should not attempt to review all actions of the regional bodies; they should monitor them to keep informed of the status of the programs, and should be prepared to mediate conflicts or problems that the committees cannot solve.

(2) *Design and initiate new coordination approaches where none exist or where current arrangements are inadequate.*—Councils must actively and continuously seek out new opportunities for improving interagency program coordination. Either formal or informal arrangements could be developed for crosscutting areas such as comprehensive planning, health, migratory labor, urban Indian problems, etc. Councils should be a major source of advance planning to deal with problems that have not reached crisis proportions.

(3) *Solve ad hoc special problems that involve more than one council agency.*—Councils must be prepared to deal quickly with unexpected crises that do not fit established procedures. In some cases, short-term solutions must be devised ad hoc, while longer-term actions are handled under established procedures, e.g., supporting Justice in handling civil disorders or OEP in the case of natural disasters. As a general principle, such actions are designed to support local institutions.

(4) *Develop and strengthen a real partnership with State and local government, and especially with governors and mayors.*—The councils will develop improved systems of communicating and working with State and local governments, especially chief executives. This would include such activities as perfecting the A-95 process, proposing changes in subregional Federal organization structures to mesh with other levels of government, regular consultations on cross-agency functional areas, etc.

(5) *Identify potential or existing interagency conflicts in policies, priorities, or operating procedures, and where possible develop solutions.*—This may constitute a method for dealing with the functions described above, because inter-

agency conflicts may be an obstacle to carrying out any of these functions. Councils must be sensitive to the need for explicit definition of the conflicts that they encounter, and must be willing to confront them, rather than take the easy course of avoidance. Some conflicts may appear insoluble, but if they are serious and cannot be solved at the regional level, they should be identified for Washington action.

(6) *Improve coordination, cooperation and information exchange between agencies in day-to-day operations, and develop systematic information exchange devices.*—Council must develop the awareness and sensitivities to the positive benefits of improved coordination throughout their organization and in their clientele groups so that the exchange of information, sharing of problems and mutual assistance across agency lines becomes a widely shared and normal part of operations at all levels. In most regions, too few Federal, State and local government officials understand the council approach, and there has been too little accomplished in disseminating the council concept down the operational lines.

The New York and Philadelphia Councils with OMB support have been working toward compatible project control systems. This is a useful first step, but more needs to be done to reduce duplication in information collection and to develop means for ready access to and utilization of a common information base.

REGIONAL COUNCIL SYSTEM

The regional councils cannot successfully perform the functions described above or attain the objectives stated if they are left to operate on their own without strong links to Washington decisionmaking mechanisms.

(1) *Role of OMB.*—Responsibility for regional council liaison is lodged in the Program Coordination Division of OMB. Staff of this division will provide continuing representation with councils, participate in council meetings, and work with council staff. They will be responsible for insuring adequate staffing of council-generated issues to the point of decision in Washington.

(2) *The Washington Regional Council Working Group.*—The Working Group is made up of a representative of each council agency and chaired by OMB. To the extent possible, agency members of this group are those who deal directly with regional directors on program and operational matters. The group is intended to identify and staff council-generated issues and recommendations for the Under Secretaries, to develop agenda items for councils, and to review council actions and status.

(3) *The Under Secretaries.*—The Under Secretaries of HUD, HEW, Labor, DOT, and the Deputy Director of OEO and the Associate Director of OMB make up the interagency body that formulates policy recommendations, provides guidance to councils, and responds to council initiatives. This group provides the top level support for and monitoring of council actions. Its members are responsible for insuring that their regional directors and Washington headquarters actively participate in council work. They also see to it that the program elements within their departments and agencies are brought into the decision-making process. This group is chaired by the Associate Director of OMB.

(4) *Participation of other departments and agencies.*—Other agencies and departments participate in council activities, but on an ad hoc rather than a full membership basis. In certain cases, e.g., the Office of Emergency Preparedness for natural disasters, arrangements are being developed in advance. CSC and GSA as service agencies and other programmatic agencies (USDA, SBA, Interior, Commerce and Justice) have worked with councils on specific problems. Non-member agencies are encouraged to consult with councils when they need assistance.

(5) *Relationships with Federal Executive Boards (FEBs).*—Councils should develop working relationships as appropriate with the FEBs within their regions. There are a number of areas of common concern on which councils and FEBs could cooperate (recognizing that FEBs are metro-oriented and are not established to provide Federal program coordination). The improvement of the A-95 process is an example. OMB representatives to councils are also responsible for FEB liaison and will actively support the development of effective Council/FEB linkages.

COUNCIL ORGANIZATION AND OPERATION

(1) *Decisionmaking.*—Regional councils, because they are composed of peers each of whom is responsible to his own agency hierarchy, must be facilitative of coordinated program decisions, rather than decisionmaking bodies. The Council is not another level in the decisionmaking process; it does not interrupt the chain of command. It provides a forum for developing consistent strategies for decisionmaking by several regional directors with related program responsibilities. A majority of council members cannot impose actions on a minority.

When conflicts arise, whether due to policy inconsistencies or lack of delegated authority in individual council members, they should be candidly reported and resolution sought where possible through normal departmental channels. Thus, many issues of an interagency nature may be resolved without requiring action on the part of the Washington regional council machinery. Any issue or conflict which, because of its complexity, requires decision by the Under Secretaries Group, should be sent to the OMB Secretariat to be staffed out with the Working Group for the Under Secretaries Group. At the same time it should be reported up each agency line by the individual regional directors. Action directives to regional directors which result from Under Secretaries Group agreements will be transmitted through their line agencies.

(2) *Staffing.*—Regional councils will only be effective if the regional directors themselves participate fully. A commitment of significant time for council matters on the part of regional directors is a necessity. Experience has shown that such participation requires substantial staff work. Each council member should have one senior staff member (GS-14 or 15) assigned to council activities and be prepared to allocate other staff resources as needed. At least for the present this should be the equivalent of one man-year. It is necessary, also, that the designated staff member have direct access to and frequent consultation with the council member, wherever they happen to be located organizationally. There is a preference for regional directors having a full-time member, but in the interest of flexibility a full-time equivalent may be employed.

(3) *Flexible funding.*—Councils frequently identify opportunities for joint action which would significantly improve program operations. Usually, these opportunities require funding from more than one agency, and sometimes councils have been unable to proceed because of lack of flexible funds. An experimental approach has been developed where each council agency will make available to its regional directors \$50,000 which the regional director can commit to council activities. This will give the five pilot councils the ability to respond quickly to local situations, an ability that could pay large dividends in avoiding crisis and enhancing the credibility of government.

(4) *Operations.*—Councils meet regularly, usually every two weeks and on the call of the chairman. Minutes or highlights of meetings are circulated to members, staff, Washington agency headquarters, and OMB. A council letterhead and stationery appears to be useful especially in contacts outside the Federal structure. To strength the council concept, councils should provide leadership to see that training programs developed by the agencies and CSC stress the council concept and emphasize increased sensitivity to interagency cooperation.

Senator ALLEN. Mr. James L. Sundquist, please.
You may proceed.

TESTIMONY OF JAMES L. SUNDQUIST, SENIOR FELLOW,
BROOKINGS INSTITUTION

Mr. SUNDQUIST. I have been asked to present an overview of the problems of rural development and population distribution that are the subject of these hearings.

A good starting point is the population projections of Dr. Jerome Pickard, published from time to time by the Urban Land Institute. The latest of those projections was published about a year ago, before the 1970 census came out, and was based on an estimate of 307 million people in the United States by the year 2000. I understand that Dr.

Pickard is now revising his projections somewhat downward, but in any case, the population of 307 million people, if it is not reached in the year 2000, will be reached shortly thereafter.

His projection tells us that when we reach 307 million people, 182 million, or nearly 60 percent, will be concentrated in just four huge megalopolises. One continuous urban strip of 67 million people will extend down the Atlantic seaboard solidly from Maine to Virginia. Another 59 million people will live in another agglomeration that joins the eastern megalopolis at Utica, N.Y., and extends unbroken all the way west to Green Bay, Wis., and south to Cincinnati and northern Kentucky. A California city of 42.5 million persons will reach from the San Francisco Bay area solidly to the Mexican border. A fourth concentration of 13 million people will turn most of the Florida Peninsula into one huge city.

Elsewhere, 19 huge metropolitan complexes of over a million people each will contain another 54 million people. All told, over three-fourths of our total population will be crowded into these agglomerations of over a million people each.

The 1970 census has confirmed that this galloping urbanization is continuing—and may even be accelerating. In the decade of the 1950's, more than half of the counties of the United States lost population, most of them rural—and three whole States declined. In the decade of the 1960's, the story was the same—nearly half of our counties lost population, and 1,000 of them were the same counties. Again, three States showed population declines.

There seems to be something approaching a national consensus that these trends are undesirable—that it is bad for all concerned for our population growth to be so heavily concentrated. On the one hand, population concentration results in the universally reorganized “urban crisis” in the overcongested metropolitan areas, as the economic and social costs of population growth outrun resources. On the other hand, it leads to a corresponding “rural crisis”—still largely unrecognized—as the depopulating areas suffer from economic decline or stagnation and an erosion of the resource base that supports public services. The preamble to S. 10 states the case succinctly, and it was elaborated on eloquently by the chairman and the other members of the committee this morning.

President Nixon reflected this national consensus when he declared in his first state of the Union message that the objective of national policy must be not only to “stem the migration to urban centers but reverse it.” And the Congress late last year formally expressed its agreement when it committed itself, in title IX of the Agriculture Act, to “a sound balance between rural and urban America.” and declared “the highest priority must be given to the revitalization and development of rural areas.” I might add that this consensus now covers such groups as the National Governors Conference, the National League of Cities, the Urban Coalition, and both the Republican and Democratic Parties as they expressed themselves in their platforms adopted in 1968. Yet, the President has proposed no measures, and the Congress has enacted no measures, that come anywhere near to being adequate to achieve these policy objectives.

The first thing that must be recognized is that our headlong pace of urbanization cannot be checked without very strong governmental action. The forces making for population concentration are obviously powerful. They have been in operation in every country in the world, and at every stage of history. This does not mean those forces cannot be controlled and checked, but to bring them under control will require the creation by governmental action of counterforces that will be equally powerful. The kinds of programs and policies we have pursued in the past are obviously insufficient; as the census figures show, despite the fanfare that has surrounded some of the programs and policies enacted in the 1960's, they have altered the total situation very little.

The forces I am talking about that make for population concentration are economic, not social. Most people who move to big cities and remain there do not do so out of love for big cities. A Gallup poll in 1968 showed that 56 percent of all Americans would prefer a rural life, if they were free to choose, only 44 percent a city or a suburb. But people have to live where the jobs are. Concentration of population has followed the concentration of economic activity. A national policy of rural-urban balance has to rest upon policies that will result in diverting into underdeveloped areas much of the economic growth over the next decade or two that would, in the absence of such policies, be located in the already overcongested centers.

To define this purpose, if we continue to use the phrase "rural development," we should accept the President's recent redefinition of the word "rural." In his plan for rural community development revenue sharing, he calls "rural" any county outside the Census Bureau's standard metropolitan statistical areas (SMSA), plus any county in an SMSA that has a density of less than 100 persons per square mile. In other words, "rural America" is "nonmetropolitan America," including nonmetropolitan cities up to 50,000 population. It is to these smaller cities—instead of to "rural" areas as traditionally defined—that we must look for the rural growth that is needed to take the pressure off the metropolitan areas. Smaller places usually cannot provide the services that industry requires. But as the nonmetropolitan cities grow, the smaller towns and farm areas will benefit too, for most of them are within commuting distances.

If a greater share of the country's economic growth can be steered into the nonmetropolitan growth centers, then all the people of rural areas will have a genuine choice—they can continue to live on their farms or in small towns and commute to the growth centers, or they can go to the big cities if that is their preference. And young people growing up in the cities will have a choice as well.

Now, what is required to steer a greater proportion of the Nation's economic growth into rural America, as redefined? I suggest that a governmental policy designed to make effective the congressional and Presidential intent as expressed last year must have two—and possibly three—facets.

The first concerns public services. Economic growth depends upon an infrastructure of public services—access roads, water supply, and sewage facilities for industrial plants; education and training services to assure a qualified labor force; and a level of other services that

makes the community attractive to the people coming in from other places. The last includes good schools, good health facilities, park and recreation facilities, and so on. But public services in rural communities often fall far short of the standards set by the metropolitan areas with which they compete for industry, as the figures put into the record by the chairman this morning so dramatically indicate. And the rural areas do not have the resources to overcome these deficiencies—at least, not quickly enough—by their own efforts alone.

Most of the Federal Government's programs of rural development have been designed to assist communities to provide that necessary infrastructure for economic growth. The Area Redevelopment Act, the Public Works and Economic Development Act, and the Appalachian Regional Development Act have all authorized assistance for public facilities.

The Appalachian Regional Commission—which has administered by far the broadest program of assistance, with the most generous allocation of resources—is now completing an evaluation of its 6 years of experience. I would urge this committee to give that evaluation close attention as the best indicator we have of what a concentrated investment in public services can do to revitalize the economy of nonmetropolitan areas. While it is always difficult to be sure of cause-and-effect relationships, it seems to be demonstrable beyond much question that the economy in many parts of the region—particularly in its southern sections, including Alabama—has been revitalized, population outmigration has been checked and reversed, and the threshold of self-sustaining economic growth may have been crossed. This has been at a cost in Federal expenditures so far of a little over a billion dollars, of which only part of the effects have so far been realized.

Accompanying the provision of assistance under both the Public Works and Economic Development Act and the Appalachian Regional Development Act has been a strong incentive for the formation of planning and developmental bodies on a multicounty basis. These bodies are the first and only major institutional innovation in rural areas since the foundation of the Republic, and they are indispensable to preparing and executing a development program. The layout of the infrastructure has to be decided—which growth centers are to be chosen, what the priorities are for public investment, how the road and school and health and utility expenditures should be coordinated and geographically concentrated for maximum reinforcing effect. These add up to an area or district development plan, which by its nature cannot be made by individual small cities and counties acting separately. Nor can it be carried out that way. An object of Federal policy, then, should be to encourage the creation by the States of effective multicounty planning and developmental bodies where they do not exist, and the strengthening of them where they do exist.

Mr. Ink mentioned this morning that one provision of the President's rural community development revenue-sharing plan would require the States to create multicounty agencies or multijurisdiction agencies covering all of their territory, and that part of his program I would heartily endorse. But I think there is one very serious flaw in their proposal. They would require that the entire membership of these multijurisdiction bodies be composed of local officials. From my

observation in the field, the most effective of the multicounty planning and development bodies are those where a substantial part of the leadership and sometimes all is taken by civic leaders who do not happen to be mayors or county commissioners. They may have been mayors or county commissioners in the past, but they do not happen to hold the office at the present time. I believe it would be a grave mistake if the Congress were to buy the notion that the only leadership available in rural America that should be permitted to act as board members of these multijurisdiction bodies are the local officials who happen to be in office at any particular time. Many of the things that these planning bodies are concerned with are really outside the jurisdiction of county and city governments; anyway.

To sum up, balanced population growth will not occur in this country until public services in nonmetropolitan areas are raised to a parity with the level of public services in the metropolitan areas with which they must compete. This will require the allocation of large sums of public money, and much of the additional money will have to come from the Federal Government—and it needs to come soon if it is to accomplish its purpose. As to how much money is required, and for exactly what projects, that should be determined on the basis of the developmental plans prepared by the multicounty planning bodies created by the various States. Essentially, the Federal funds should be applied to the priority projects identified in these plans. In this respect, the narrow categorical approach that has characterized much of the Federal aid system should be abandoned. That objective is expressed in the President's special revenue sharing proposal and is embodied in the model cities program.

The second problem that must be considered in any national policy for rural development and balanced growth is credit. The Congress many years ago created a series of credit instrumentalities for agriculture, including the various institutions supervised by the Farm Credit Administration, and the Farmers' Home Administration and Rural Electrification Administration. But nonagricultural enterprises in rural areas are equally remote from the country's financial centers and so have the same kind of difficulty in obtaining credit, unless they happen to be branches of national or regional concerns. This is a gap that needs to be filled by some form of public or quasi-public credit institution, like the Rural Development Credit Bank recently proposed by President Nixon's Task Force on Rural Development. Legislation is pending in the Congress for this purpose.

A special case in point is housing. Population growth in nonmetropolitan areas calls, obviously, for an increase in the housing supply. But housing construction is severely limited by lack of mortgage money in rural areas. The programs of the Federal Housing Administration, which have done so much to stimulate suburban growth in the metropolitan areas, have been largely inoperative outside those areas ever since the foundation of that agency. The programs of the Farmers Home Administration, on the other hand, have been limited to communities under 5,500. The growth centers on which nonmetropolitan development depends are in a kind of no-man's land receiving the benefits of neither set of programs. Under the aegis of the Appalachian Regional Commission, the States of West Virginia and North

Carolina have now established State corporations with powers to provide "front money" for some kinds of housing construction in non-metropolitan areas. But housing credit remains a serious bottleneck in nonmetropolitan America in general.

It may be that if Federal resources and leadership are applied to the infrastructure and credit needs of nonmetropolitan areas, that will prove sufficient to bring about balanced national growth. Personally, I doubt that they will turn out to be powerful enough to offset all the forces in the economy that make for centralization. We will not know until they are tried. But in any case, there is available a third approach mentioned by Senator Allen this morning that would unquestionably prove to be powerful—and that is the granting of a tax advantage for investments made in the areas where national policy calls for stimulation of economic growth. The simplest measure to this end would perhaps be one along the lines of the Stevens amendment passed by the Senate in 1969, which would have retained for depressed areas the investment credit that was then being repealed for the economy as a whole.

I have said nothing about several kinds of action that the Federal Government might take to aid nonmetropolitan development that have considerable appeal because they simply redirect existing programs without any additional expenditure. One is preference in location of Federal facilities, as enacted in the Agriculture Act last year. Others are preference in Federal procurement and in administration of Federal programs in general, as proposed in S. 10. None of these, I am afraid, is likely to have much impact. In the case of Federal facilities, they are helpful wherever they are located, of course, but there are simply not enough of them located in any given year to make much difference in the total picture.

As for procurement preference, this is an awkward form of subsidy, unpopular in the business community and even more unpopular in the agencies that have to administer it. Procurement preference would be too uncertain in its application to provide much of an incentive in plant location, and the volume of preference procurement would at best be quite limited. Moreover, the enterprises that nonmetropolitan America needs are those that can be fully competitive in terms of price and quality, not those that would require preferential treatment in order to sell their products. Preference in administering other programs, including grant-in-aid programs, would also have limited results, because the distribution of most such expenditures is governed by the authorizing statutes. Insofar as agencies do have discretion in allocation, it has been my experience that most of them are eager to achieve a better rural-urban balance—because they would welcome political support from rural as well as urban areas—but they are limited in what they can do because of the absence of good project applications from the rural areas. This applies, for instance, to the manpower training programs that are mentioned specifically in S. 10. Where effective multicounty planning and development bodies have been created, with competence to develop project proposals that qualify for assistance, those areas have tended to get their share of Federal expenditures. The way to get at this problem, then, is through the creation and strengthening of the multicounty bodies, as mentioned earlier.

For a long time, it has been my hope that some committee of the Congress could examine the problem of balanced population growth

in its entirety rather than piecemeal and consider the entire range of policies that might have a bearing on solution of the problem—public services, credit, tax differentials, procurement preferences, and all the rest. Perhaps yours is the committee that can undertake a study of that breadth and intensity.

The CHAIRMAN (now presiding). Thank you very much.

MIGRATION TO URBAN AREAS CREATES SERIOUS PROBLEMS

I did not get to hear all of your testimony, as I had to be out of the hearing room for a few minutes. Do you agree that there is a problem of overcrowding and distress that has come to metropolitan centers caused by people who are seeking employment and who migrate from rural to urban sections of the Nation?

Mr. SUNDQUIST. Absolutely.

The CHAIRMAN. That problem, would you agree, is rather acute?

Mr. SUNDQUIST. Yes, sir.

The CHAIRMAN. And we must seek some way to reverse this migration trend and bring jobs out to where the people are instead of their having to come into these congested areas seeking employment?

Mr. SUNDQUIST. That is absolutely true, yes, sir.

The CHAIRMAN. Do you think that the objectives of S. 10 would contribute to an alleviation of these conditions?

Mr. SUNDQUIST. I like the preamble to S. 10. I think it declares policy in very forceful terms. I think that the program measures in S. 10 are very inadequate to carry out the objective of S. 10.

The CHAIRMAN. How would you strengthen S. 10 to carry out its objectives?

FUNDS NEEDED

Mr. SUNDQUIST. I am not sure what the proper vehicle for legislation would be or whether it could be appended to S. 10. As I said in my statement, the first thing that is needed is a very strong expansion of a beefing up of the money that is going into the rural communities for public works. We need something on the scale of Appalachia not just in Appalachia, but in all of the areas from which people are migrating. We have approached it on a very limited basis.

We have spent just over a billion dollars in Appalachia and less than that since the beginning of these programs in the rest of the country, a total of about \$2 billion altogether. We need something of a magnitude much larger.

The vehicle for that kind of legislation, I suppose, is the Public Works and Economic Development Act.

The CHAIRMAN. You feel that more than money is needed in many instances?

Mr. SUNDQUIST. Exactly.

CREDIT PROGRAMS NEEDED

Secondly, we need a credit program. I do not know whether that could be appended to S. 10 or not.

The CHAIRMAN. These credit programs have a proper role to play. But as I have envisioned these problems and the way to try to alleviate

them, we must do something to encourage industry, as it expands to expand in rural areas. It is clear that industry will have to expand to meet the demands of our increasing population. As I have conceived that idea or trying to do something about revitalizing rural America, while aiding our cities at the same time, it is to establish a national policy that will provide assistance to rural communities where industry would seek to locate. We observe this—I do—that industry comes and looks at different communities in which its expansion plans could be facilitated. I know this happens in every rural State and offer in rural areas in States that have great metropolitan centers. An industry will come and look at the differences between, say, a dozen different towns, and decide that a particular town would be fine except that it does not have the credit resources and backing to make the improvements that are absolutely imperative to accommodate the industry contemplated. Now, what I have tried to conceive in this legislation is for the Federal Government to use programs it already has—housing, schools, hospital programs and so on—to accommodate the industry which wants to expand in such a rural community.

These rural communities must also be able to extend or develop more water and sewer facilities. Both come into play at once when industry enters an area.

We have the agencies now to provide those needs. As I pointed out earlier all it will take is to make more money available through these agencies, and for them to say, well, all right, if industry is coming in there—plants to provide 300 jobs, 500 jobs, or whatever—we will give preferred assistance or consideration to the application of that community to help it finance these facilities. Otherwise, that industry would have to go to some already overcrowded area, and maybe, one where these accommodations could be provided immediately.

Mr. SUNDQUIST. Sir, we do not have a complete battery of programs affecting all of these possible bottlenecks. We do not have housing programs that affect the nonmetropolitan growth centers. The Appalachia program is limited to Appalachia. The Public Works and Economic Development Act programs are limited to about 1,000 counties. They do not go into all of the counties that need this assistance. The credit measures, as we have said earlier, are quite inadequate insofar as they are available for nonagriculture enterprises.

AGENCY EXPANSION NEEDED

The CHAIRMAN. Do you think we would have to broaden the power or authority of these agencies?

Mr. SUNDQUIST. Yes, sir.

The CHAIRMAN. That may well be true. I am not arguing that there will not have to be some expansion in certain agencies. But at least we do have the agencies, do we not? All we need to do—if this approach is feasible—is to increase or broaden their functions to accommodate the very thing we are trying to do in S. 10.

Mr. SUNDQUIST. That is true in the public service field. In the field of credit, we do not even have the agencies.

The CHAIRMAN. In what field?

Mr. SUNDQUIST. Credit. There is no rural credit development bank in existence.

The CHAIRMAN. What further credit is needed? I am not saying it is not needed. But how do you relate that? Are you talking about credit to the individual?

Mr. SUNDQUIST. I am talking about credit to the enterprises that have to be created in the rural areas in order to employ the people to keep them there.

The CHAIRMAN. You mean to finance the industry itself?

Mr. SUNDQUIST. Yes, sir. We need something in the nonagricultural field corresponding to the entire mechanism that has been set up for agriculture. Agricultural credit agencies were established by the Federal Government because it was recognized that the rural areas do not have access, ready access, on the same terms to the national finance centers as those centers themselves do. So we set up a whole system in the agricultural field. The nonagricultural enterprises have the same problem. They pay higher rates, the money is unavailable.

The CHAIRMAN. Well, that is another area we might go into. But what I am talking about here is an industry already located in a metropolitan area which decides that it has to expand to meet the growing demand for its goods. This industry wants to expand in some rural area of the country. It goes out and finds a location where it could put a plant to perform part of its services or supply part of the goods that it markets or the parts of some of those goods. Now, in that community where it would locate and where there is manpower available, that manpower is going to leave and come into metropolitan centers looking for jobs if they do not find job opportunities there. That is why I am convinced that the Government could step in right at that point and say to the industry, and to that community, all right, if you are willing to locate in this sparsely settled area we will make available to you that assistance, now provided under EDA, under the housing programs, under Hill-Burton, under these various programs. We will give some preferences to you and make these funds available to help locate that particular plant away from a congested center.

Now, what is wrong with that?

PROCUREMENT PREFERENCE

Mr. SUNDQUIST. I would not oppose procurement preferences on principle. But I think that of all the various approaches that can be taken to the problem of rural development, that one is probably most difficult politically and administratively.

The CHAIRMAN. S. 10's approach is so simple and practical I think that is one of its problems. This may cause some to shy away from it, say, for an approach with a lot more planning, a lot more redtape, a lot more agencies to get into the picture and overlap. We already have enough agencies. All we have to do when a plant is willing to come to a rural community is say all right, we will try to provide the assistance that it needs—make available those facilities that are essential to its growth.

Mr. SUNDQUIST. It was tried, sir, in the 1950's under Defense Manpower Policy No. 4. This was during the Korean period. It lasted only a few months before the discrimination that was involved in paying

more to a producer in one place than you could pay to a producer in another place killed the proposition.

The CHAIRMAN. Well, we are now doing it everyday in my State.

Mr. SUNDQUIST. More power to you.

The CHAIRMAN. I will mention just one illustration: A papermill came into a rural area, and they had to have certain facilities. For instance, we had to get water to the mill. A papermill requires it. The mill has to be on a railroad. There was a railroad about 8 or 10 miles away from a great reservoir of water that has been created by the construction of a hydroelectric dam. We got EDA aid and built a channel, a canal, from this great reservoir of water over to the railroad. Now, we have some 1,500 to 2,000 jobs in an area that was previously distressed. With just a little bit of Government aid, we were able to accommodate a big plant. We were able to do a lot for that community and keep the mill from going elsewhere; in all probability to a congested area.

Mr. SUNDQUIST. That kind of aid I would endorse with no qualification whatsoever.

The CHAIRMAN. That is exactly what we are trying to do in this legislation.

Mr. SUNDQUIST. The only thing I was questioning was procurement preference as a fundamental tool.

The CHAIRMAN. That is just one of the programs which will be considered. I have given you a concrete illustration. I can give you several more.

I was home just recently and went to a community where we were straightening out some land titles in preparation for an industrial park. There is an industry, I was advised, waiting to come in if we could do just a few things. In one instance, the Government, through EDA, was making a grant for the extension of a waterline. That plant can come to this community if it can meet its obligations.

The purpose of S. 10 is simply to help rural communities to which plants want to go, to furnish the facilities that industry must have to locate there. This includes housing—they will need housing accommodations. In many instances, school expansion, will become necessary, hospital expansion the same, access roads and so on. If we can establish a national policy to use our existing agencies with such modifications and increased revenues as warranted to carry out such a program, I believe we can reverse this trend of people migrating from rural areas into the cities—persons who may find a job and maybe not or may find one for a brief while and then go on relief rolls. This is happening, and becoming a great burden to our metropolitan centers. They are crying for help today. They are going broke.

Mr. SUNDQUIST. Yes, sir.

CITIES GOING BANKRUPT

The CHAIRMAN. Our cities are going absolutely bankrupt. We must have an aggressive national policy in order to deal with this problem. As I said in my opening statement this morning, S. 10 is not perfect. We have made it a vehicle for our hearings so that experts on the subject, like yourself, can provide the committee with suggestions. We

want assistance from the best minds in this country to help us come out of these hearings with legislation that will establish such a policy—one that will be effective, one that will get results.

I have no pride of authorship in this bill, but the concept is something that absolutely invites and challenges every Member of Congress, every agency of the Federal Government and the executive branch. All of us in government must come together, work together, to find the best answer, and carry it out.

Mr. SUNDQUIST. Yes, sir. If I sound a little impatient, it is because it seems to me that the President and the Congress both have vastly underestimated the magnitude of the problem and the breadth and scope of the programs that are needed to cope with it.

The CHAIRMAN. We may have underestimated the problem. We will endeavor in our hearings to determine its magnitude. I see it as a very great problem. But I also see that the answer is to help nonmetropolitan communities obtain industry. As Senator Percy indicated, his State is a great industrial State with great metropolitan centers. But there are areas in his State where such a program could work very well. It would serve his State's growth, not hurt it. And I think it will serve the whole Nation if we can get it in operation.

Thank you very much, Mr. Sundquist. We welcome your continued contribution. We are not going about this matter hastily. We want to really study it and try to find the right answers.

Mr. SUNDQUIST. I understand.

The CHAIRMAN. Senator Allen?

POPULATION PROJECTIONS

Senator ALLEN. Mr. Sundquist, I believe you have made some real good practical suggestions here and I believe the committee is going to want to study them very carefully.

I was interested in this population projection of Dr. Jerome Pickard, showing that by the year 2000, it is estimated we will have 307 million population and that in four of the megalopolises, we will have 182 million people; and that elsewhere, there are 19 huge metropolitan complexes of over a million people, each of which will contain a million people each, which will contain another 54 million people, and so on. All that adds up to 236 million. That would indicate, then, that in the rest of the country, the rural areas, you might say, though they would not have to be rural, not falling into these categories, but that would leave only some 71 million. In this projection, is that made with the thought that there is going to be no effort to channel the future economic growth and the population growth of the Nation into rural areas as envisioned by this proposed legislation?

Mr. SUNDQUIST. Yes, this is a straight line projection. It projects what has been happening, but what has been happening given the programs we already have. So it tells us in effect what is going to happen unless we do something substantially more than we are doing.

Senator ALLEN. Well, the present rural areas in this 30-year period, would they continue to show a decline in population under this projection or would they increase somewhat?

Mr. SUNDQUIST. I hesitate to get into much technical detail on how he did his work, but it is a projection. About 1,500 counties lost popu-

lation in the 1950's, about 1,500 counties lost population in the 1960's. This projection then would assume the continuance of that same trend. He is not saying it can't be reversed, of course.

Senator ALLEN. Well, who in the world would support all those 236 million people? I mean from the standpoint of providing food for them if they are all concentrated in these large areas? I would not think there would be enough people left in rural areas to furnish food and fiber for all those people in the big centers?

Mr. SUNDQUIST. Yes, sir; I think we will continue to produce our food and fiber with fewer people, as has been the case over the last 30 or 40 years.

Senator ALLEN. So you do not think it poses any problem there?

Mr. SUNDQUIST. No; I do not. I would defer to Dr. Beale on some of these things. I believe he is going to testify as one of your witnesses and he is one of the experts in this field, much more than I am.

FACILITIES OF URBAN CENTERS OVERTAXED

Senator ALLEN. Will this tremendous growth of 100 million people in 30 years, would that not greatly overtax the facilities of the urban centers?

Mr. SUNDQUIST. No question about that. They are already overtaxed.

Senator ALLEN. And it looks like it is going to be absolutely necessary to channel some of that growth and some of the population into the rural areas, is it not?

Mr. SUNDQUIST. Absolutely.

Senator ALLEN. I notice you spoke highly of the work of the Appalachian Regional Commission. Do you think the investment the Government has made in that Commission and the work of that Commission has been justified?

Mr. SUNDQUIST. Yes, sir. That is the only place where we have invested resources on anywhere near the scale that is necessary to accomplish what you have been talking about. While the results are still preliminary, I believe it can be demonstrated that the effectiveness of that program has been shown.

Senator ALLEN. Well, you feel, then, that it played a significant part in the stopping of the outmigration from that area and the commencement of a slight trend of immigration into that area?

Mr. SUNDQUIST. Yes, particularly in the southern part of the region. As part of this evaluation, the Appalachian Regional Commission made an intensive study of seven growth centers and in those growth centers—where investment has been concentrated—most of them had experienced a very substantial turnaround. One of the really important factors is that morale went up. The communities began, when they saw that things were starting to happen, to develop a much more progressive attitude on their own part. They got over the apathy that has characterized so many rural places. Industries began to come in. All along the developmental highway system in Appalachia, where it has been completed, industries have been springing up just as a result of highways, water systems, roads—the sort of thing the chairman mentioned a while ago. With public services alone, you can do a lot to revitalize communities but it has to be done on that scale and the

trouble is in a lot of areas of the country, the assistance has been piddling and in a lot of the areas, there has been no assistance at all.

PUBLIC SERVICES IN SMALL TOWNS

Senator ALLEN. The chairman quoted amazing statistics regarding the public services of the small towns to the effect that there are 30,000 towns in the United States that do not have a water system and that there are 45,000 that do not have a public sewer system. But now if these services alone were brought to these communities, would that not, to some extent, bring many of the benefits of the urban areas to the rural areas without bringing any of the burdens or disadvantages of the rural areas? And if those additions were made—adequate schools, libraries, other public facilities—would not the trend set in to return to those areas on the part of those who have moved into the city?

Mr. SUNDQUIST. Yes, sir.

Senator ALLEN. Provided they can find work there.

Mr. SUNDQUIST. If all those things are done. But it is not enough to deal with water and sewage problems unless you also deal with schools, housing, health, recreation, manpower training, and all the rest.

Senator ALLEN. Yes. Now, in other words, if the benefits of the city, the cultural, educational, convenience-type benefits, plus the availability of jobs in the rural areas, if these things are accomplished, would there not be a mighty trend back to the rural areas from the cities?

Mr. SUNDQUIST. Yes, sir. If people could earn their living and have the amenities in rural areas, more than half of them would prefer to live there.

Senator ALLEN. So then the question would recur as to how to, how best to accomplish those desired means.

Mr. SUNDQUIST. Yes, sir.

Senator ALLEN. Now, on the rural development credit bank, would that be something similar to a Small Business Administration type institution, or would it be more nearly patterned after the Production Credit Corporation, something of that sort? What would be your thought along that line?

Mr. SUNDQUIST. I do not have any particular expertise in the field of credit. The task force which recommended the rural development credit bank suggested that it be made a part of the Farm Credit Administration and organized in the same way, something like the Federal Land Bank. I am not sure whether that is the best format or not, but I would assume the kind of private participation that exists in the farm credit systems would be what you would be after rather than direct Government loans.

Senator ALLEN. Would that not take capitalization of several billion dollars, probably, to do the entire job?

Mr. SUNDQUIST. I assume so. But that would not all have to be Federal money.

Senator ALLEN. Yes, but I believe the Federal Land Bank and the Farm Credit Administration, they are now privately owned. Their investment has been repaid, I believe, in those institutions.

Mr. SUNDQUIST. I would think we could follow the same pattern in the nonagricultural field.

TAX CONCESSION TO INDUSTRY

Senator ALLEN. In the matter of tax concession, you have pointed out Senator Steven's effort to continue the 7-percent investment credit, investment tax credit. Would it not be possible also, in order to encourage industry to locate in these rural areas, to provide for a fast writeoff of the entire investment in plant and facilities? Would that not be an incentive to industry to locate?

Mr. SUNDQUIST. It could be done either way. The technique chosen by the Congress lately has been the investment credit rather than the accelerated depreciation. Either one of them would work, I suppose.

Senator ALLEN. Yes. I recently, during the Easter recess, visited some 13 counties in north Alabama. Some of the towns there were, in the past have been pretty well blighted. The people have moved out. There were many vacancies in the buildings on the town square. Several of these have located, small industries—there is northwest Alabama; they have many mobile home factories there. They are experiencing a small boom in that area and just one or two small plants have given the people there hope for better economic conditions in the area. It does seem that if we could induce private enterprise to locate in these communities, and if the Federal Government would help make some of the public services available, some of the cultural advantages available, make the credit available, possibly tax concessions that would go a long way toward rerouting some of this growth into the rural areas, would you feel that that is a proper assessment of the conditions?

Mr. SUNDQUIST. Yes; I would agree with that.

Senator ALLEN. Thank you very much.

The CHAIRMAN. Senator Percy?

Senator PERCY. Mr. Chairman, I have no questions.

I have just been skimming the testimony you have given. I think you have added a very important set of statistics and figures, some of them just astonishing as we look ahead. I think that is what the purpose of this whole legislation has been. If we had done this 20 years ago, if we had had this bill 20 years ago, we might not be in the shape we are in now and the year 2000 might not look as dim. But we do have some time now ahead of us and I think your charting of the future here and the testimony you have given the committee has been very helpful.

Thank you very much.

Mr. SUNDQUIST. Thank you very much.

The CHAIRMAN. Senator Chiles?

Senator CHILES. Mr. Chairman, I would like to ask Mr. Sundquist, do you know, sir, how much of our present Federal expenditure is going into the rural area? You mentioned about a billion dollars spent in Appalachia and about a billion dollars in the other programs. I am asking about the total Federal expenditure. Do you have that figure?

Mr. SUNDQUIST. Well, the administration, in response to title 9 of the Agriculture Act, submitted a report which your staff made available to me and which they are perhaps better prepared to analyze than I am. I believe the figures are not very reliable at this point.

It also seems to me that that information is not particularly useful, because if you find out that it is \$40 or \$60 billion, you really have not learned much. The important point is that whatever the amount

has been, it has not been enough because the trend that we are talking about and that we are all here decrying this morning is still going on rapidly.

Senator CHILES. Well, in addition to the tax incentives that we were talking about, accelerated depreciation and tax credits, do you envision any other tax incentives that could be given?

Mr. SUNDQUIST. I had thought that a 7-percent investment credit would probably be enough if it were retained for the rural areas only, at the time that it was removed for the rest of the country. Or if it were now restored only for the rural areas, that would be a very powerful differential.

Senator Pearson has a bill that has three or four other features to it of a tax nature. I am not enough of a technician to appraise them. I am not sure that we would need anything more than the investment credit. That has the advantage that the Senate has already passed it. I think it was by only one vote, but it did pass 2 years ago.

Senator CHILES. That is all.

The CHAIRMAN. Thank you very much, Mr. Sundquist.

If there are no other questions, then, the committee will stand in recess until 2 o'clock.

(Whereupon, at 12:15 p.m., the committee was recessed until 2 p.m. the same day.)

AFTERNOON SESSION

The CHAIRMAN. We will come to order.

Some of the other Senators may get back, some may not. But we will proceed.

I have a statement from Senator Cannon, of Nevada, and direct that it be inserted in the record.

(The statement referred to follows:)

STATEMENT OF HON. HOWARD W. CANNON, U.S. SENATOR FOR THE STATE OF NEVADA

Mr. CANNON. Gentlemen, it gives me great pleasure to appear before this committee today. I am here to give my support to S. 10, of which I am proud to be a cosponsor. The purpose of this bill is to encourage the distribution of future industrial growth more evenly throughout the United States.

In the past, industrial growth has occurred mainly around our large cities. The reasons for this growth in or near urban concentrations is clear. They offer the access to markets, manpower, transportation, and raw materials needed to run a profitable and growing business.

The results of this growth in industrial output have had many good aspects. It has helped give the United States the world's highest standard of living. It has provided goods and services unavailable elsewhere. It has made the United States the world's leading industrial power. Unfortunately, the concentration of industrial production facilities in/or near our large cities has also had bad side effects, both for the cities, and the rural areas of America barely touched by industrial employment.

In the cities, urban growth sparked by industrialization has caused problems such as pollution, noise, crime, and poor housing. These prob-

lems were aggravated by the influx of migrants from rural areas seeking jobs. Many of these migrants did not have the education or skills needed to succeed in the cities. As a result many have had to fall back on the social and welfare services of the cities in order to survive.

The rural areas where these migrants came from were also badly affected. Those who left for the city in search of jobs were mainly young people with their productive years ahead of them. They were the ones who were the most ambitious and daring. These young people were in many cases the prime resource of the rural areas. Their presence where they grew up and were educated would have been one factor in inducing industries interested in a rural location to come into the community. With the departure of these young people, the prospect of industry locating in the area were greatly diminished. In addition, many of these rural areas were left with a population consisting of many very young people and many old people. These groups are unable to undertake gainful employment. Those left who did have jobs had to support a large number of dependents, both young and old.

Many of the problems rural and urban America are now facing in terms of poverty and unemployment would have been avoided if jobs and training had been available to the young people of rural America. The efforts of the Economic Development Administration, the Appalachian Regional Commission, and the Farmers Home Administration have begun to improve the situation. The purpose of S. 10 is to provide additional aid in promoting the industrialization of rural America.

This bill would direct the executive branch to give preference, to the maximum practicable extent, in awarding Federal contracts for the purchase of goods and services to industries which would locate in areas with a low concentration of population and industry. The bill would give preference to rural areas in the multibillion Federal grants-in-aid programs. It would emphasize Federal manpower training in rural areas in order to provide the manpower requirements for industries willing to locate in rural areas. In addition, the bill would require Federal agencies to provide the Comptroller General with reports on their activities and plans to help in promoting the industrialization of rural areas.

Gentlemen, I feel that S. 10 will be an important step in the efforts of the Federal Government to promote better rural-urban balance. It will provide jobs for rural residents, and it will take the pressure off our cities caused by the continued in-migration of rural Americans. I therefore urge your full support of this innovative piece of legislation.

The CHAIRMAN. I also have a statement from Senator Humphrey in support of S. 10 and direct that it be placed in the record at this point.
(The statement referred to follows:)

**STATEMENT OF HON. HUBERT H. HUMPHREY, U.S. SENATOR
FROM THE STATE OF MINNESOTA**

Mr. HUMPHREY. I am very pleased to be one of the cosponsors of S. 10, a bill designed to revitalize the rural and economically depressed areas of our Nation. This particular bill, introduced by Senator John

McClellan, strikes at the heart of a major need in this country; namely, the development of a national growth policy designed to bring balanced development to our rural and urban areas.

As part of the 1970 Agricultural Act, Congress committed itself to this sound balance between urban and rural America. In fact, it rated this objective as among its highest priorities, "essential to the peace, prosperity, and welfare of all our citizens."

Further meaning was given to that commitment in this session of Congress in the enactment of Senate Resolution 76 which established the Rural Development Subcommittee of the Senate Committee on Agriculture and Forestry. I was privileged to be named chairman of that particular subcommittee and already we have begun our work. We have been most pleased and very impressed with the interest demonstrated concerning rural development and national growth policy, and we particularly welcome the interest of Senator McClellan, chairman of the Senate Committee on Government Operations, and the other members of this committee.

Some 100 million more people will be added to the population of the United States within the next 30 years. Where these people are going to live and work must be a matter of national concern. Our major cities are already congested, their governments unable to meet the demands for basic public services in the face of rising costs and limited fiscal resources. But with the continued decline of our rural areas, a substantial amount of rural outmigration continues to have its impact on our larger cities.

It makes little or no sense for us as a nation to stand idly by and see more and more people squeezed into less and less space when we have so much space available to live in. Many of our rural emigrants have made their moves because of the lack of opportunity in the smaller communities and rural countryside. This is particularly true with respect to education and jobs. Many of them also leave because they cannot assure their families of adequate housing, health care, and cultural opportunities.

A major task lies ahead of us to rebuild and expand many of these rural communities. We cannot look to these communities to hold on to their populations let alone grow unless a national effort is undertaken to strengthen their economic, social, and political structure. The reports called for under title IX of the 1970 Agricultural Act should give us some insight on the extent to which Federal programs and technical assistance are being directed at these communities.

The same thrust is clearly identified in the bill before this committee. As you know, many Federal programs fail to effectively "reach out" to those in our rural areas who need help the most; this fact is most evident when we look at our national poverty figures which indicate that our rural areas, with less than one-third of our population, still account for almost half of the Nation's poor.

Congress must proclaim a new freedom—a freedom of residence. We must establish the right of all our people to have a realistic choice of where they want to live and work. I hope that this committee can work closely with the new Rural Development Subcommittee in achieving what is obviously the same objective. This effort will require the energy of all those whose interest we can capture. There are

numerous facets to it and plenty of opportunity for all those wanting to make a contribution. The revitalization of the rural communities of this Nation is essential to the achievement of a balanced national growth policy on which the future prosperity and peace of our Nation are dependent.

The CHAIRMAN. We have a couple of out-of-town witnesses, so we are going to switch our schedule to try and accommodate them. The first witness we will call this afternoon is Mr. Dan B. Mackey, executive director, Upper Savannah Development District, Greenwood, S.C.

Mr. Mackey, you may be seated. I note you have a prepared statement.

Mr. MACKEY. Mr. Chairman, I do have a prepared statement and I would like to offer the statement for the record, but there are only certain parts of it that I think we will have time to discuss.

The CHAIRMAN. All right. Your entire statement will be inserted in the record at the conclusion of your testimony.

Mr. MACKEY. Thank you, sir.

TESTIMONY OF DAN B. MACKEY II, EXECUTIVE DIRECTOR, UPPER SAVANNAH DEVELOPMENT DISTRICT, GREENWOOD, S.C.

Mr. MACKEY. Mr. Chairman, it is a distinct privilege afforded me by your committee to appear as a witness to discuss S. 10 which is so urgently needed if we are to accomplish the revitalization of rural America.

I have prepared a written statement which contains an organizational description of my six-county planning district located in western South Carolina. We are a part of the statewide system of planning districts; thus a consistent geographical framework has been established within which we can plan for the delivery of assistance at the local level. Often the needs of our people transcend municipal and county boundaries. Agencies like the Upper Savannah are working on solving problems which are regional in nature. Given this opportunity, I would prefer to discuss with you the problems that confront our district and our local elected officials. I believe page 13 of my statement is where I will begin my remarks.

The CHAIRMAN. If you will indicate where you are as you skip through your statement, we will try to follow it.

Mr. MACKEY. It is the 13th page under the title "Problems."

The CHAIRMAN. Very well. I have found it now. You may proceed.

Mr. MACKEY. Thank you.

Rural counties like those in the upper Savannah district enjoy generally clean air, pleasant small towns, lots of wide-open spaces, and an unhurried life. However, amidst the enjoyment of this way of life, rural Americans face some unique problems. The movement of the masses away from rural counties has left fewer people behind to pay the bills for needed services. Often, the young and the professionals are those who have moved, leaving behind the older and the nonprofessionals to run the business firms and till the soil.

The problems that confront rural counties and municipalities are legion. Yet, there exists the many growing needs which cry out for planning, innovation, funding, law enforcement, housing, water/sewer

systems, recreation, health, transportation, industrial development, and many more. For many of these needs, Federal and State aid may be possible, but part-time mayors and councils find little time—and develop limited expertise—in the intricacies of applying for funding—let alone knowing from which agency of Government funds are available. Indeed, in many instances individual local governments and agencies are not even eligible for funding unless part of a comprehensive regional planning and development district.

Thus, one of the greatest problems is the varying interpretations by Federal agencies of the true meaning of "comprehensive." Webster defines comprehensive as "having the power to comprehend many things; of wide mental grasp; all inclusive."

A few of the Federal agencies and programs that promote regional multijurisdictional functions are:

- Department of Housing and Urban Development
- Economic Development Administration
- Department of Health, Education, and Welfare
- Law Enforcement Assistance Administration
- Department of Labor
- Department of Transportation
- Department of Agriculture
- Resource Conservation and Development and Farmers Home Administration
- Environmental Protection Administration

These programs and others are specifically concerned with a particular type of functional planning. Generally, each of these Federal agencies refers to their particular program as comprehensive planning. I respectfully submit that the future of the Nation's rural and economic development is predicated upon national growth policy considerations and true comprehensive planning as defined by Webster, not comprehensive functional planning promoted by the various Federal agencies.

The Upper Savannah Planning and Development District board of directors and staff continuously attempts to interpret the restrictive requirements of each Federal agency as it pertains to its own particular program. The quandary of locally elected officials is aggravated because each Federal program has its own planning criteria, often varies in grant/loan ratios, and requires an inordinate amount of intricate and redundant paperwork. The dilemma faced by these local officials is compounded when each agency contends that it is the comprehensive entity and local funds should be committed to engage in this particular program. Each request for funding by a specific functional program is represented as the highest priority. It is impossible for most local elected officials to objectively or rationally allocate their scarce financial resources among these requests for priority projects.

The bulk of the Federal planning programs requires a local governing policy and program board of directors. The Federal guidelines are usually specific and inflexible on the type of board representation which they require. This is a special problem and is fragmenting the planning efforts throughout rural America. In too many instances, these Federal guidelines require that the majority of the board members be individuals with their specific type of program orientation.

This has fostered interagency rivalry and contributed to the confusion and loss of credibility of Federal Government programs in grass-roots rural America.

For example, the Department of Housing and Urban Development is requiring two-thirds of the members of the Upper Savannah Board of Directors to be local elected officials proportionate to my district's population concentration, while the Department of Health, Education, and Welfare is requiring that a large percentage of health professionals be represented on my board.

There are other examples, sir. The Department of Justice, through its LEAA program, would like for me to have sheriffs and police chiefs on my board of directors.

Realizing that there is a need for planning requirements, I submit there be a consolidation of planning criteria which would be acceptable to all agencies.

In rural America, we are faced with critical needs to expand local water and sewer systems, but there is a duplication of agency programs. Some agencies will fund sewer systems but not water. Others will fund both. A major problem is that some agencies are directing assistance to rural America which will perpetrate an outdated agrarian economy despite the effect of this policy upon the orderly community growth. The establishment of numerous independent water/sewer districts throughout the State or region creates major problems. The unplanned extension of water/sewer lines eliminates an effective tool for orderly community development. The indiscriminate extension promotes scatterization of development and encourages disorderly growth.

Federal agencies that are determined to establish development groups should consult existing organizations to prevent a duplication of effort and expense. For example, in the six-county area of the Upper Savannah Planning and Development District, there has been established a resource conservation and development organization under the U.S. Department of Agriculture which will be concerned with many of the same problems the Upper Savannah is attempting to solve. This duplication places an undue burden on the limited leadership which is available. Apparently, some agencies think that "this regional comprehensive planning is a good idea * * * so we might as well do it."

One of the greatest injustices done to citizens and elected officials in rural areas is to arouse false hopes of receiving assistances. It is a Federal responsibility not to create expectations in the minds of the people that funding is immediate or that such funding of a particular program will be a quick solution to their problems. It also seems unfair to authorize large expenditures and then fail to appropriate adequate funds.

One of the problems that has a cyclic effect is basing funding on a population formula. Some of our greatest impoverished areas are those who suffer from chronic outmigration. If funding cannot take special circumstances into account, there is little hope for the areas already in dire need.

The Economic Development Administration is restricted by law as to how America's counties shall be qualified to receive assistances. Generally, the criteria are: severe and chronic unemployment, signifi-

cant population loss, and high percentage of low-median family incomes. However, I submit to this committee there are special instances when this criteria is an insufficient formula for determining assistance. An example to demonstrate the inequity of this determining system could be an area that by one judgment ranks among the poorest in the Nation, but because of the proximity to large military installations, the median family income is high. Thus, the distressed area is prevented from receiving special assistances and consideration.

One of the crucial problems facing rural counties throughout the Nation is the lack of sufficient funds in the Economic Development Administration to establish economic development districts where they are needed. I am unable to quote exact statistics but I submit that where economic development districts exist in rural America, there is ample proof that the creation of multicounty planning and development districts may be one of the greatest investments of the Federal dollar.

Another common problem involves the setting of priorities at the national level by Federal agencies. Too often, these priorities reflect the problems of large metropolitan areas—not necessarily the problems of rural America. There is no logic in requiring local rural areas to plan and implement within the same framework because rural problems needs may be different.

The myriad planning and development programs offered by scores of Federal agencies and their subagencies can only be coordinated at the grass roots level. A regional planning and development office which is competently staffed and adequately funded can act as the coordinating clearinghouse, and the A-95 reviewing process is a commendable attempt to effect this coordination. This intergovernmental relationship circular demonstrates the Federal Government's realization of the critical need for coordination at the grassroots level.

There should be Federal administrative funds to help defray the costs of providing this service, but regardless of financial assistance, there is further evidence that it is unrealistic to believe that any single Federal agency can monitor and direct all other Federal agencies.

The complexities of a changing socioeconomic society demand that the Government be streamlined and modernized. American megalopoli are concerned with metropolitan government—medium-sized centers are consolidating urban communities and semirural suburbs—but rural areas, where the crowding of population and other difficulties which afflict urbania are not yet problems, are unique. Here, the key is not a consolidated government but local government cooperation with coordinated State and Federal assistances.

The pleasantness of the old South—or the colorful West—or hearty New England—or the majestic Northwest—these must be preserved as a part of this country's life. But the people who inhabit the quiet rural areas of these regions must be protected and served efficiently and economically to assure their role in this country's rapid, unparalleled development. The shift during the next decade will be away from urbania. Rural America must be ready to face the challenge.

In summarizing this brief description of some of the problems that we face on a daily basis in rural America, I admit that there is an overlapping and duplication of programs and services. The inability we face on a daily basis in rural America, I admit that there is an

to effect honest and expeditious cooperation among various Federal agencies is a matter that can be alleviated by causing a Federal streamlining, modernization, and a national policy for revitalizing rural America.

(Prepared statement of Mr. Mackey follows:)

STATEMENT OF DAN B. MACKEY II, EXECUTIVE DIRECTOR, UPPER SAVANNAH DEVELOPMENT DISTRICT GREENWOOD, S.C.

Mr. Chairman, it is a distinct privilege afforded me by your committee to appear as a witness to discuss S. 10 which is so urgently needed if we are to accomplish the revitalization of rural America.

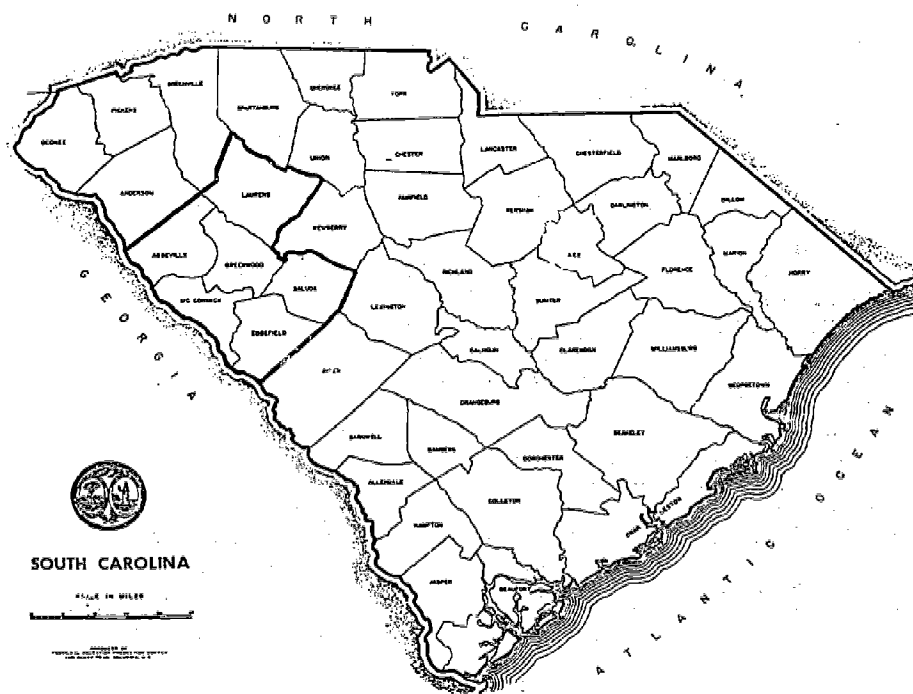
This proposal to establish a national policy relative to the revitalization of our nation's rural and other economically distressed areas by providing incentives which will cause a more even and practical geographic distribution of industrial growth and economic activity will have far reaching effects on our major metropolitan areas as well as the vast rural and underdeveloped areas of our country.

ORGANIZATIONAL—FUNCTIONAL DESCRIPTION OF THE UPPER SAVANNAH PLANNING AND DEVELOPMENT DISTRICT

As summary background information, the following is a concise treatment of what has happened in six rural South Carolina counties during the past three years and their efforts to pool resources, take maximum advantage of available assistance in all areas by establishing an umbrella type regional planning and development district (see Illustration 1).

A synopsis of population trends (see Illustration 2) indicates that during the decade 1950 to 1960, the Upper Savannah District experienced a loss of population in four of its six counties. From 1960 to 1970, the District experienced a slight gain in population, due to the increase in population of the two northern counties. However, the same four smaller counties continued to lose population.

This loss is attributed to the out-migration due to a lack of industrial opportunities and a general decline in farm income and the number of farms.



POPULATION OF THE UPPER SAVANNAH DEVELOPMENT DISTRICT BY COUNTIES, 1970 AND 1960

County	1970	1960	Net change	Percent change
Abbeville County.....	21,112	21,417	-305	-1.4
Abbeville City.....	5,515	5,436	79	1.5
Lowndesville Town.....	219	274	-75	-20.1
Calhoun Falls Town.....	2,234	2,525	-385	-11.5
Donalds Town.....	2,475	2,726	-251	-9.2
Honea Path Town (part).....	12	22	-10	-45.5
Ware Shoals Town (part).....	316			
Due West Town.....	1,380	1,166	214	18.4
Edgefield County.....	15,692	15,735	-43	-.3
Edgefield Town.....	2,750	2,876	-126	-4.4
Johnston Town.....	2,552	2,119	433	20.4
Trenton Town.....	362	314	48	15.3
Greenwood County.....	49,686	44,346	5,340	12.0
Greenwood City.....	21,069	16,644	4,425	26.6
Hodges Town.....	214	209	5	2.4
Ware Shoals (part).....	2,164			
Ninety Six Town.....	2,166	1,435	731	50.9
Troy Town.....	207	260	-53	-20.4
Laurens County.....	49,713	47,609	2,104	4.4
Clinton Town.....	8,138	7,937	201	2.5
Cross Hill Town.....	579	441	138	31.3
Waterloo Town.....	112	148	-36	-24.3
Fountain Inn Town (part).....	591	311	280	90.0
Grax Court Town.....	859	473	386	81.6
Joanna (U).....	1,631	1,831	-200	-10.9
Laurens City.....	10,298	9,598	700	7.3
Watts Mills (U).....	1,181	1,438	-257	-17.9
McCormick County.....	7,955	8,629	-674	-7.8
McCormick Town.....	1,864	1,998	-134	-6.7
Mount Carmel Town.....	138	109	29	26.6
Parksville Town.....	164	164		
Plum Branch Town.....	108	139	-28	-22.3
Saluda County.....	14,528	14,554	-26	-.2
Batesburg Town (part).....	368	289	79	+27.3
Ridge Springs Town.....	644	649	-5	-.8
Wards Town.....	150	162	-12	-7.4
Saluda Town.....	2,442	2,089	353	16.9
District.....	158,686	152,290	6,396	4.2
South Carolina.....	2,590,516	2,382,594	207,922	8.7

Source: U.S. census of population, 1970.

The District and its Board of Directors was structured initially in March of 1968 to administer the provisions of the Public Works and Economic Development Act of 1965, three of the counties being qualified under the terms of the act as redevelopment or economically depressed areas. Greenwood qualified as the Growth Center area.

After the first year of District operations, it became increasingly obvious that the District should broaden its specialized interests and upon reorganization in March of 1969, emphasis shifted from promoting economic development to "comprehensive, coordinated planning and development."

This conceptual and functional change was brought about by local governmental concern with problems that were beyond their means and jurisdictions, and the State and Federal participation in resolving such problems. Simultaneously, the District restructured the composition of the Board of Directors to include municipal and county elected officials as well as non-elected and minority citizens; representation was based upon a population formula.

The Upper Savannah Board of Directors is the governing body. It determines the policies, programs, and project priorities. The Board decides what committees are necessary and appoints the committee members. The Executive Director and staff serve as full-time advisors, planners, researchers, and technicians to the committees and the District governmental agencies.

Since its inception, the District has realized that there are many problems that need attention and that it has the great responsibility of being concerned with the entire range of planning and development activities, and maintaining a balanced perspective in relation to these activities. It must be fair and impartial among the agencies and functions in which it works.

Above all, the District must design its planning and development programs to provide maximum service and continual relevancy.

The following examples illustrate the various planning and development assistance programs which are actively functioning in the Upper Savannah District program.

ECONOMIC DEVELOPMENT ADMINISTRATION

Since 1968, the Economic Development Administration has funded administration of planning grants to the District totaling approximately \$120,000, and for the first two years of operations, this represented the largest portion of the District budget. These funds allowed for the hiring of staff personnel to serve the District, not only in Economic Development Administration matters, but also for a wide range of problems that involved dozens of State and Federal agencies. The three largest tangibles resulting from this association with the Economic Development Administration include:

(1) Extensive Recreational Complex on the Savannah River (Clark Hill Reservoir) in McCormick County which will create 125 direct and 200 indirect jobs as well as stimulating the local economy by the creation of the two large parks. Economic Development Administration grant, \$1,450,000; State of South Carolina, \$987,000; for a total investment of \$2,437,000.

(2) County-Wide Water System, Edgefield County, which will tap the Savannah River as the source of raw water and distribute treated water to the three towns in the County. The water lines will also serve industrial sites and have been laid wherever practical—parallel or near railroads and interstate highway areas. The new system will have treating capacity of approximately 15,000,000 gallons per day. Industrial development is virtually assured by the creation of this fine system which has been co-funded by the Economic Development Administration, \$1,690,000 grant; Farmers Home Administration, \$50,000 grant, \$1,644,000 loan; and the Department of Housing and Urban Development \$690,000 grant, and \$1,000,000 loan for a total project cost of \$5,074,000.

(3) Piedmont Technical Education Center—Growth Center project which is located in Greenwood but serves the entire District. This versatile training center is the hub for job skills training, Manpower Development Training, and other special training programs, in addition to special classes for particular needs. The Economic Development Administration recently enabled this institution to enlarge its facilities by granting two construction projects totaling \$249,000. Obviously, Economic Development Administration concurs in the belief that the ability to afford skilled workers is a vital part of job creating/economic development.

It is impossible to describe how important the Economic Development Administration "seed" funds have been in helping establish this viable District program. Prior to the establishment of the District, there was no central coordinating office to collect, assimilate, and disperse current information about the areas and its localities. There was no professional staff to develop an awareness of local officials of how the governmental systems work, and how assistances could be obtained and implemented.

Economic Development Administration's knowledge of the basic problems that the staff and Board of Directors would encounter in establishing a sound planning and development district was demonstrated by their allowing for an extremely flexible program of work.

LAW ENFORCEMENT ASSISTANCE ADMINISTRATION

In 1969, the Board of Directors established the Regional Law Enforcement Committee and charged them with the responsibility of studying the District's law enforcement inadequacies and recommending measures to improve the system. Federal aid is being utilized to help resolve many judicial deficiencies in accordance with the provisions of the United States Department of Justice which administers this national assistance program.

District planning is a prerequisite for receiving Federal action funds and the Committee participates in the formulation of the annual plan which contains recommendations and priorities for funding. This program has been utilized with great efficiency and is the best example in our District of the "block grant" approach to problem solving.

South Carolina receives an allocation from the Law Enforcement Assistance Administration and then makes State-wide allocations to its ten regional planning and development districts. Since 1969, the Upper Savannah has received \$29,000 for planning and administration of the law program. The staff, working at all levels throughout the District, has assisted in implementing the \$245,666 Federal funds into law enforcement improvements totaling \$512,700.

Projects include training, construction, counseling, communications, and equipment. Special recognition and appreciation has been received for the work in combating and controlling juvenile delinquency problems. The ability to plan realistically—knowing the amount of funds available each year—enables the District to stretch these dollars to achieve maximum effect in the program areas mentioned. The law program has the support and cooperation of agencies throughout the District and is coordinated with the State Law Enforcement Assistance Program Office to insure proper and expeditious handling of requests. In this program, we have periodic meetings with Law Enforcement Assistance Program officials to make suggestions which will make the program better and more effective.

THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Water—Sewer—Housing—these facilities have been reported by District citizens as the greatest deficiency or need in their communities. The District has received Department of Housing and Urban Development "Non-Metropolitan" planning funds to plan for these needs on a regional basis.

The Department of Housing and Urban Development planning funds are limited and this restricts the scope of planning for this agency's requirements. The Department of Housing and Urban Development has the greatest amount of grant and loan programs which affect our towns and counties, and continual planning according to their specifications is required for eligibility to receive assistance.

The Department of Housing and Urban Development also has restrictive criteria on the make-up of the local and regional planning bodies. The insistence that a planning group be composed of two-thirds elected officials seems too rigid and may result in establishing organizations too narrow in concept and lacking in the leadership and vitality that would be possible with a higher proportion of interested citizens and businessmen.

Area-wide comprehensive health planning is a major concern in our District. After two years of arduous negotiations, the Upper Savannah convinced the Department of Health, Education, and Welfare that it was the logical planning organization.

Presently, the Upper Savannah is fully accredited and designated as the Comprehensive Health Planning body, but due to insufficient funds at the Federal level, it receives no grant monies to facilitate the planning program. More than \$12,000 of local funds has been allocated for this purpose. However, we have received no Department of Health, Education, and Welfare supplemental funds as yet. The staff is working in a limited capacity with a steering committee in an attempt to define and solve area health problems.

Public service careers is a training program administered by the Upper Savannah and funded through the Economic Development Administration. The objective is to provide basic work skills, job development, and up-grading to employees of public agencies (counties, municipalities, and their sub-agencies such as schools and hospitals). Upper Savannah received \$120,000 for a nineteen month grant period and to date, we have trained 91 persons for 11 different District agencies. Unless this grant is continued, it will expire in January, 1972, causing the District to lose a valuable asset to its multitude of public agencies.

RECREATIONAL AND HISTORICAL DEVELOPMENT

One of the Upper Savannah's greatest assets is its potential as a recreation mecca. The staff assists with the development of leisure activities and is responsible for coordinating the recommendations and requests for financial assistance of the regional Recreation/Historical Development Committee. The Federal agencies that have funding programs to develop these types of projects include: The Department of Interior's Bureau of Outdoor Recreation; Department of Housing and Urban Development Open Space and Historic Preservation grants. The projects are also coordinated with the State of South Carolina's Department of Parks, Recreation, and Tourism, and the Department of Archives and History to insure that maximum assistance is obtained for District projects. Additionally, the District staff is preparing a survey of historic landmarks. This survey began with an inventory of 89 such historic landmarks and, presently, the staff along with District historical commissions has identified more than 425 sites of historical significance.

The District has assisted in obtaining grants for recreational/historic projects totaling more than \$500,000 and many similar projects are pending.

The development of recreational areas and tourist attractions is one of the surest ways to boost the District's overall economy and supply much needed jobs. In this vain, the District encourages proper planning and wise management to supply the area with increased recreational advantages while preserving vital natural resources.

FARMERS HOME ADMINISTRATION

This agency has indicated that planning assistance funds may be available to the Upper Savannah to make sure that proper attention in planning for District improvements is given to the District rural areas. This agency has various rural development programs to assist in providing water/sewer facilities and housing. Hopefully, this agency's programs can be expanded to include sanitary landfill and solid waste disposal assistances. The District is attempting to include this agency's planning criteria in regional studies and coordinate its assistances to provide meaningful, long-range, area-wide services.

Highway safety planning and implementation is also a responsibility of the District staff. This program is a part of the United States Department of Transportation's effort to reduce the deaths and accidents on our nation's streets and highways. This committee is responsible for reviewing the District plan and recommending priorities for funding. Types of projects included in this program include in-school driver education courses, alcoholism education, emergency ambulance service, and emergency first aid training. The program is good in its intent and is administered well at the State and local levels, but suffers sadly from insufficient funding.

JAN. 1, 1971 STATUS REPORT, UPPER SAVANNAH PLANNING AND DEVELOPMENT DISTRICT (NO. 2)

Member counties	Number of board members			Population		Percent change
	Elected officials	Non-elected	Total	1960	1970	
Abbeville County.....	2	2	4	21,417	21,112	-1.4
Edgefield County.....	2	2	4	15,735	15,692	-.3
Greenwood County.....	4	2	6	44,346	49,686	12.0
Laurens County.....	4	2	6	47,609	49,713	4.4
McCormick County.....	2	2	4	8,629	7,955	-7.8
Saluda County.....	2	2	4	14,554	14,528	-.2
Total.....	16	12	28	152,290	158,036

NOTE: Chairman: E. Hite Miller, Edgefield County. Executive director: Dan B. Mackey II. Number of staff: 10. Types of staff positions: Executive director (1), projects coordinator (1), EDA coordinator (1), law planner (1), regional planner (1), PSC director (1), draftsman (1), secretary (2), bookkeeper (1).

CURRENT AGENCY ACTIVITIES AND ANTICIPATED FINANCIAL ASSISTANCE (PLANNING AND OPERATING FUNDS ONLY)

Sources	Fiscal year 1969	Fiscal year 1970	Fiscal year 1971	Fiscal year 1972
Local appropriation.....	7,500	15,000	52,000	52,000
EDA.....	36,000	46,000	42,000	42,000
LEAP.....		9,160	13,350	13,350
HUD 701.....			15,750	15,750
Farmers Home Administration.....			33,717	33,717
Highway safety.....			2,500	3,900
Archives and history.....			7,000	7,000
Comprehensive health (CHP).....			(1)	?
PSC—Public service careers—training.....			17,000	10,000
Total.....	43,500	70,160	183,317	(?)
Basis for local assessment: Per capita rate.....	.04	.10	.33	.33

¹ Approved, not funded.

² Approximately same as 1971.

NOTE: Regional planning programs: Economic Development Administration; Housing and Urban Development—Water/sewer/housing; Farmers Home Administration; Law enforcement assistance; recreation; Historical preservation; Transportation/highway safety; Federal assistance programs—review—A-95; Area-wide comprehensive health planning.

PROBLEMS

To this point, I have briefly described how the Upper Savannah Planning and Development District was established, how it is managed, financed, and the present functional operations. The following is a sincere attempt to constructively point out perplexing problems that are encountered by the Upper Savannah and its local governmental agencies.

Rural counties like those in the Upper Savannah District enjoy generally clean air, pleasant small towns, lots of wide open spaces, and an unhurried life. However, amidst the enjoyment of this way of life, rural Americans face some unique problems. The movement of the masses away from rural counties has left fewer people behind to pay the bills for needed services. Often, the young and the professionals are those who have moved, leaving behind the older and the non-professionals to run the business firms and till the soil. The problems that confront rural counties and municipalities are legion. Yet, there exists the many growing needs which cry out for planning, innovation, funding, law enforcement, housing, water/sewer systems, recreation, health, transportation, industrial development, and many more. For many of these needs, Federal and State aid may be possible, but part-time mayors and councils find little time—and develop limited expertise—in the intricacies of applying for funding—let alone knowing from which agency of government funds are available. Indeed, in many instances individual local governments and agencies are not even eligible for funding unless part of a comprehensive regional planning and development district.

Thus, one of the greatest problems is the varying interpretations by Federal agencies of the true meaning of "Comprehensive." Webster defines comprehensive as "having the power to comprehend many things; of wide mental grasp; all inclusive."

A few of the federal agencies and programs that promote regional multi-jurisdictional functions are:

- Department of Housing and Urban Development
- Economic Development Administration
- Department of Health, Education, and Welfare
- Law Enforcement Assistance Administration
- Department of Labor
- Department of Transportation
- United States Department of Agriculture
- Resource Conservation and Development and Farmers Home Administration
- Environmental Protection Administration

These programs and others are specifically concerned with a particular type of functional planning. Generally, each of these Federal agencies refers to their particular program as "comprehensive" planning. I respectfully submit that the future of the nation's rural and economic development is predicated upon national growth policy considerations and true "comprehensive planning" as defined by Webster, not comprehensive functional planning promoted by the various Federal agencies.

The Upper Savannah Planning and Development District Board of Directors and staff continuously attempts to interpret the restrictive requirements of each Federal agency as it pertains to its own particular program. The quandary of locally elected officials is aggravated because each Federal program has its own planning criteria, often varies in grant/loan ratios, and requires an inordinate amount of intricate and redundant paperwork. The dilemma faced by these local officials is compounded when each agency contends that *it* is the comprehensive entity and local funds should be committed to engage in this particular program. Each request for funding by a specific functional program is represented as the highest priority. It is impossible for most local elected officials to objectively or rationally allocate their scarce financial resources among these requests for priority projects.

The bulk of the Federal planning programs requires a local governing policy and program board of directors. The Federal guidelines are usually specific and inflexible on the type of board representation which they require. This is a special problem and is fragmenting the planning efforts throughout rural America. In too many instances, these Federal guidelines require that the majority of the board members be individuals with their specific type of program orientation.

This has fostered interagency rivalry and contributed to the confusion and loss of credibility of Federal government programs in "grass roots" rural America.

For example, the Department of Housing and Urban Development is requiring two-thirds of the members of the Upper Savannah Board of Directors be local elected officials proportionate to my District's population concentration, while the Department of Health, Education, and Welfare is requiring that a large percentage of health professionals be represented on my board.

Realizing that there is a need for planning requirements, I submit there be a consolidation of planning criteria which would be acceptable to all agencies.

In rural America, we are faced with critical needs to expand local water and sewer systems, but there is a duplication of agency programs. Some agencies will fund sewerage systems but not water. Others will fund both. A major problem is that some agencies are directing assistances to rural America which will perpetrate an out-dated agrarian economy despite the effect of this policy upon the orderly community growth. The establishment of numerous independent water/sewer districts throughout the State or region creates major problems. The unplanned extension of water/sewer lines eliminates an effective tool for orderly community development. The indiscriminate extension promotes "scatterization" of development and encourages disorderly growth.

Federal agencies that are determined to establish "development groups" should consult existing organizations to prevent a duplication of effort and expense. For example, in the six county area of the Upper Savannah Planning and Development District, there has been established a Resource Conservation and Development organization under the United States Department of Agriculture which will be concerned with many of the same problems the Upper Savannah is attempting to solve. This duplication places an undue burden on the limited leadership which is available. Apparently, some agencies think that "this regional comprehensive planning is a good idea . . . so we might as well do it."

One of the greatest injustices done to citizens and elected officials in rural areas is to arouse false hopes of receiving assistances. It is a Federal responsibility *not* to create expectations in the minds of the people that funding its immediate or that such funding of a particular program will be a quick solution to their problems. It also seems unfair to authorize large expenditures and then fail to appropriate adequate funds.

One of the problems that has a cyclic effect is basing funding on a population formula. Some of our greatest impoverished areas are those who suffer from chronic out-migration. If funding cannot take special circumstances into account, there is little hope for the areas already in dire need.

The Economic Development Administration is restricted by law as to how America's counties shall be qualified to receive assistances. Generally, the criteria are; severe and chronic unemployment, significant population loss, and high percentage of low-median family incomes. However, I submit to this Committee there are special instances when this criteria is an insufficient formula for determining assistance. An example to demonstrate the inequity of this determining system could be an area that by one judgment ranks among the poorest in the nation, but because of the proximity to large military installations, the median family income is high. Thus, the distressed area is prevented from receiving special assistances and consideration.

One of the *crucial* problems facing rural counties throughout the nation is the lack of sufficient funds in the Economic Development Administration to establish Economic Development Districts where they are needed. I am unable to quote exact statistics but I submit that where Economic Development Districts exist in rural America, there is ample proof that the creation of multi-county planning and development districts may be one of the greatest investments of the Federal dollar.

Another common problem involves the setting of priorities at the national level by Federal agencies. Too often, these priorities reflect the problems of large metropolitan areas—not necessarily the problems of rural America. There is no logic in requiring local rural areas to plan and implement within the same framework because rural problems and needs may be different.

The myriad planning and developmental programs offered by scores of Federal agencies and their sub-agencies can *only* be coordinated at the "grass roots" level. A regional planning and development office which is competently staffed and adequately funded can act as the coordinating clearinghouse, and the A-95 reviewing process is a commendable attempt to effect this coordination. This

intergovernmental relationship circular demonstrates the Federal government's realization of the critical need for coordination at the "grass roots" level. There should be Federal administrative funds to help defray the costs of providing this service, but regardless of financial assistance, there is further evidence that it is unrealistic to believe that any *single* Federal agency can monitor and direct all other Federal agencies.

The complexities of a changing socio-economic society demand that the government be streamlined and modernized. American megalopoli are concerned with metropolitan government—medium-sized centers are consolidating urban communities and semi-rural suburbs—but rural areas, where the crowding of population and other difficulties which afflict urban areas are not yet problems, are unique. Here, the key is not a consolidated government but local government cooperation with coordinated State and Federal assistances.

The pleasantness of the old South—or the colorful West—or hearty New England—or the majestic Northwest—these must be preserved as a part of this country's life. But the people who inhabit the quiet rural areas of these regions must be protected and served efficiently and economically to assure their role in this country's rapid, unparalleled development. The shift during the next decade will be away from urban areas. Rural America must be ready to face the challenge.

In summarizing this brief description of some of the problems that we face on a daily basis in rural America, I admit that there is an overlapping and duplication of programs and services. The inability to effect honest and expeditious cooperation among various Federal agencies is a matter that can be alleviated by causing a Federal streamlining, modernization, and a national policy for revitalizing rural America.

RECOMMENDATIONS

That a system of district designation be established which is applicable to all Federal programs requiring area-wide planning and programming.

That a regional umbrella type board of directors be mandatory prior to receiving Federal or State funds. This board should be universally accepted as the governing board for all functional discipline planning programs.

The development of a uniform Federal grant-in-aid management system.

The provision for financial incentives for joint planning and cooperative implementation or consolidation of services by local units of government.

The assurance of a role for the umbrella—regional planning and development agencies in the administration of any "block grants" to the States.

A consolidation of similar Federal agency programs or at least statutory coordination requirements among agencies.

The strengthening of Economic Development programs by encouraging future industrial growth in rural areas.

Special consideration be given to those areas that are not included in Federal regional areas (Appalachia, Coastal Plains).

A general level of funding of one-fourth local, three-fourths Federal be established and accepted by the various programs to these planning and development organizations, and to move toward a single—general support funding program which provides the basic support monies to carry out the area-wide coordinative management system. Additional support monies could be obtained from special purpose planning agencies.

The CHAIRMAN. I note that you have some recommendations.

Mr. MACKEY. Yes, sir; I do.

The CHAIRMAN. I would like you to read them, if you will.

Mr. MACKEY. Thank you, sir. It may be that I could elaborate on a few of these recommendations.

The CHAIRMAN. You may elaborate as you like.

Mr. MACKEY. Thank you, sir.

The first recommendation is that a system of district designation be established which is applicable to all Federal programs requiring area-wide planning and programming.

What I mean by that, sir, is that now we have many Federal agencies which can, at their own discretion, establish what a district is.

HEW can establish a comprehensive health planning district and EDA establishes an economic development district. And the Department of Agriculture may establish a resource conservation development district.

I point out to you, sir, that it would be more logical if we had one agency that had the responsibility of designing and creating districts and that a district that is sufficient to do economic development planning could also plan for natural resources, planning, could also do economic development and health problems; thus one regional planning agency would be responsible for all types of "comprehensive" planning.

The next one, sir, is that a regional umbrella-type board of directors be mandatory prior to receiving Federal and State funds. This board should be universally accepted as the governing board for all functional discipline planning programs. My own board of directors has already reconstituted three times because of the dictates of the various Federal agencies from which we receive funds. So to receive their funds, we had to restructure our own board to meet the various requirements. This is ridiculous. My board of directors should be established, it should be representative, it should have at least a majority of elected officials because it is only fair that the men who must expend local dollars be involved from the very concept in planning so that when it comes to commit moneys for a water system or for a sewer system or for Federal housing projects that they understand it and have been a part of the planning process. Thus they endorse the implementation of such facilities.

But my board of directors should be representative and it should have businessmen, lay citizens, minority representatives, and elected officials, both county and municipal. But this umbrella board should not be questioned by all Federal agencies and what is good for one Federal agency, I submit, should be good for any other Federal agency that wants to give us money to conduct a planning program in our area. This is something that is a crucial problem throughout rural America.

Another recommendation is the development of a uniform Federal grant-in-aid management system. This is a very short sentence. What I am trying to say is that we have contracts with seven different Federal agencies ourselves in upper Savannah. Each one of these agencies has its own reporting system. Each one has its own financial statement requirements. We spend an undue amount of time, we waste a lot of money and effort and I lose a lot of administrative abilities trying to satisfy seven different Federal agencies with seven different types of progress reports and financial statements. This is happening in every State where there is a planning district that is funded by more than one Federal agency to do more than one thing. So I would like to see a uniform system where, if we receive Federal funds, we report to the Federal Government, we can build any check and balance system that is fair and reasonable. But it is not fair and reasonable to expect any executive director of an organization to spend an inordinate amount of his time satisfying the agency which gave his district the money that he is carrying out his prescribed responsibilities.

Another recommendation is the provision for financial incentives for joint planning and cooperative implementation or consolidation of services by local units of government. I think this would go a long way in getting municipal and county governments together to effect a consolidation, perhaps, of law enforcement agencies or of juvenile detention, or delinquent, services. Or instead of having three separate sanitary land fill systems in a county by financial incentives, the Federal Government would make it more attractive to do this on a countywide basis or even a multicounty basis.

A consolidation of similar Federal agency programs or at least statutory coordination requirements among agencies.

Small town mayors know that they have water and sewer problems, but the Environmental Protection Agency is in the water and sewer business. The Economic Development Administration could be in the water and sewer business. The Department of Housing and Urban Development, of course, is in the water and sewer business, and Farmers' Home, to some degree, is in the water and sewer business. I submit a consolidation of water and sewer agencies would be of tremendous benefit. Presently, planning agencies and people like myself advise mayors and elected officials as to where they might go for assistance for water and sewer problems which can involve five different agencies under very complex situations. If we cannot effect this, then I think there could be at least a statutory requirement that would save us the problem of knocking on each door of five or six different Federal agencies and that they, among themselves, would put together a package of what they can or what they cannot do in an instance and let the mayor know or let the county know what to expect—so we can get on with that business of building a water and sewer system—that is what is more important.

The strengthening of economic development programs by encouraging future industrial growth in rural areas has been discussed at length this morning. I simply concur in that and I hope that in S. 10, the method will be devised that will encourage industries to locate in rural America.

ENCOURAGE INDUSTRIAL GROWTH IN RURAL AREAS

The CHAIRMAN. Well, that is the principal thrust of S. 10. These organization aspects are also good; I am sure many of them are needed, to improve the administration of these agencies, eliminate overlapping and try to streamline their procedures so that when you have a problem, you can go to one place and obtain your answer and assistance. All of this is highly desirable.

My personal feeling about this bill is that its real thrust is to get industry to decentralize as it expands; to come to rural areas so people can find jobs and not have to leave to seek jobs which often are unavailable, and then end up on relief. Both communities are hurt this way—the one left behind and the one they go to. If we can establish a policy that would encourage industry to seek out rural communities, they could operate profitably, in a more pleasant environment than in crowded urbania and provide a better, more satisfactory living for the people they are going to employ. This is the real thrust of what I am trying to achieve. I think it has to come.

Mr. MACKEY. Yes, sir; I think so too.

The CHAIRMAN. This might not be the right program, but it has to come.

Mr. MACKEY. I do not know any other answer to our problems, but I see our role in preparing for industrial development. Because, Mr. Chairman, if Du Pont wanted to build a \$120 million plant in my community tomorrow, there are many places where, as bad as they are needed, it would be a physical impossibility to build this plant because there is no water system, there is no preparation by a local development corporation to provide the basic services which is expected.

The CHAIRMAN. In other words, your community does not have the resources, the credit resources to issue obligations sufficient to meet the cost of providing those services.

Mr. MACKEY. Yes, sir; and because it is so small and has no industry it has not tax base; it has no revenue. If they needed to float a bond issue of a million dollars, they just may not—it might just be a fiscal impossibility.

The CHAIRMAN. Yes.

INDUSTRY NEEDED TO CREATE JOBS

Mr. MACKEY. So it is a cyclic thing. Is it the chicken or the egg? We have to have the industries to create jobs, to stem the flow of the people that are leaving. We know that. We have to have the tax base created by the physical facility being there, plus the payrolls of the people who have jobs. But if we cannot build the plant, none of that will happen.

The CHAIRMAN. Well, I think the Government in doing this, in providing this assistance, would be within proper bounds. I think it is making a wise investment, because if it can keep the people where they can be employed, then the Government profits by such employment and could recoup some revenue from it. On the other hand, if they go to the cities and wind up on relief, they become a burden and not an asset to the community. If we can provide job opportunities in rural America, those employed would be an asset not only to their community but to the whole economic strength of the Nation.

All right, you may proceed.

Mr. MACKEY. Thank you.

I would like special consideration to be given to those areas that are not included in Federal regional program areas. For instance, the area I am in is not in Appalachia, it is not in Coastal Plains. I would like to see some special kind of assistance provided to my area to help us build roads, build hospitals, that sort of thing which EDA can't do. This is not why EDA has its fund. So even though some of our areas may be even more depressed than the Appalachian areas, we are denied some of the funding. I could not help but include this as one of the recommendations, although I know only the Congress can decide what areas are in the Federal regional jurisdictions.

My last recommendation is that a general level of funding of one-fourth local, three-fourths Federal be established and accepted by the various programs to these planning and development organizations, and to move toward a single general-support funding program which provides the basic support moneys to carry out the areawide

coordinative management system. Additional support moneys could be obtained from special purpose planning agencies; that was as short a sentence structure as I could possibly state my recommendation. These are some of the problems that we are faced with in a regional planning office, and in your State of Arkansas and your State of Alabama, I know that there are men who in the short time that they have come aboard, have been able to advise mayors, they have been able to do those things which the mayors were not able to do for themselves. They were able to act as liaison, research people, work with the Federal and State agencies so that meaningful assistance could be provided. But this takes local moneys to match the various Federal planning grants.

EDA, for instance, will match on a 75-25 basis. But HEW will match on a 50-50 basis and LEAA will match on a 90-10 basis; and HUD will match on a 66 $\frac{2}{3}$ basis. So you see, sir, it is a problem in trying to prepare a budget which my board of directors demands of me, naturally. But it is hard for me to explain to them that each Federal agency has its own funding ratio and has its own requirements and own reporting systems, and they also have their own demands as to whom can sit on my board of directors.

So it is a very confusing thing and I offer this as a suggestion to make our bodies more effective so that we can proceed and do at the grassroots level what the Congress of the United States has decided that it wants done.

UPPER SAVANNAH DEVELOPMENT DISTRICT

The CHAIRMAN. In terms of your Upper Savannah Development District, at what point does your planning cease and your implementation begin? Can you give us some illustration?

Mr. MACKEY. Yes, sir; I will.

What we try to do is to get a local community to assess its needs and decide what it wants us to help them on. You know, lots of times, they used to say, well, why don't you tell us what is available? And of course, we have a catalog—it is 10 inches thick—and contains all programs that every agency has. What we need is for them to tell us what specific problems they wanted us to work on in a concentrated effort.

So they may decide that water and sewers and housing and industrial development are the four crucial areas that need assistances. Then we research for them through Housing and Urban Development, Farmers Home, EDA, and all the others what they must do in this municipality or in this county to reach the qualification level to be eligible to then submit an application for construction funds. From the very inception of the idea through the completion of the application for construction funds, we assist every step of the way.

Now, when the application goes into our regional offices, then all we do is alert our Congressman and our Senators that this community's application for assistance is in the regional office. And then, hopefully, it will be favorably acted upon, it will come to Washington and then be announced that the grant or loan was awarded.

At that time, the Upper Savannah is no longer involved in the project, because the actual constructing of this project is up to the mayor,

the town council, the engineering firm, the private businesses that will build a hospital or build the airport or build a water and sewer system, whatever they made application for. But from the very idea at the local level to the announcement by the Senator or the Congressman, we are very much involved.

The CHAIRMAN. You have nothing to do with the actual construction?

Mr. MACKEY. No, sir.

FUNDS FOR PLANNING PURPOSES

The CHAIRMAN. How do you get your local investment money to meet these grants?

Mr. MACKEY. For planning purposes?

The CHAIRMAN. Yes.

Mr. MACKEY. Well, sir; we started off because EDA said, if you can raise one-fourth of the amount of money needed to create an economic development district, we will put up 75 percent of the moneys. So in our case, six counties contributed 25 percent and found their fair share by using a per capita formula, which happened to be 3 cents. The second year, EDA increased its amount of money just a little bit and the law enforcement assistance program came into being and we went from 3 cents to 7 cents per capita. This past year, to give you an indication of the success that we might have experienced, our counties went from 7 cents to 33 cents per capita. That means that each county pays us 33 cents per capita on an annual basis. We take these funds, then, and match EDA and comprehensive health and the other planning programs that are available to us.

The CHAIRMAN. I believe you said your district consisted of six counties.

Mr. MACKEY. Yes, sir.

The CHAIRMAN. What is the population of those counties?

Mr. MACKEY. Totally, it is about 159,000.

INDUSTRIAL EXPANSION RESULTING FROM DEVELOPMENT ACTIVITIES

The CHAIRMAN. How many industries have actually moved into your district as a result of your development activities?

Mr. MACKEY. I would have to qualify my statement, because it would certainly be presumptuous of me to say that any industry came in because of our efforts.

The CHAIRMAN. Well, let's say, since you have been making such efforts.

Mr. MACKEY. Since we were there, we have had four industries come in and we have had one rather large expansion of a pharmaceutical plant.

The CHAIRMAN. Over what period of time is that?

Mr. MACKEY. Two of the plants have come in in the past 18 months and one big expansion was announced during the last year.

The CHAIRMAN. How long have you been organized?

Mr. MACKEY. My first month on the job was March of 1968 and I had no predecessor.

The CHAIRMAN. 1968; that is about 3 years all told?

Mr. Mackey. Yes, sir.

The CHAIRMAN. Senator, any questions?

Senator ALLEN. I believe not, thanks.

The CHAIRMAN. Thank you very much, Mr. Mackey. We appreciate your cooperation and presence today.

Our next witness is Mr. Stanley S. Kidwell, Jr.

Would you come forward, please, sir?

The CHAIRMAN. You are accompanied by Mr. Robert J. Griffis?

Mr. Kidwell. Yes, sir.

The CHAIRMAN. Mr. Kidwell, you are the chief of the planning district section, division of State planning and community affairs?

Mr. Kidwell. Yes, sir.

The CHAIRMAN. And your associate here is an economist with the research section, division of State planning and community affairs of Richmond? Is that correct?

Mr. Griffis. Yes, sir.

The CHAIRMAN. Do you have a statement?

Mr. Kidwell. We have a prepared text, Mr. Chairman, but I have made some notes and do not intend to read the entire statement.

The CHAIRMAN. Your entire statement will be placed in the record at the conclusion of your remarks. You may proceed.

TESTIMONY OF STANLEY S. KIDWELL, JR., CHIEF, PLANNING DISTRICT SECTION; ACCOMPANIED BY ROBERT J. GRIFFIS, ECONOMIST, RESEARCH SECTION, DIVISION OF STATE PLANNING AND COMMUNITY AFFAIRS, STATE OF VIRGINIA

Mr. Kidwell. I am going to confine my remarks to Virginia's planning district program and when I am finished, Mr. Griffis will touch upon the coordination of Federal aid programs and some of the problems that have arisen in Virginia as a result.

The planning district program in Virginia had a somewhat unlikely beginning, because it grew out of the work of a study commission, the Virginia Metropolitan Area Study Commission that was appointed in 1966 by the general assembly. This study commission was created to look at the problems of the large cities; the six SMSA's in the State, to find out what some of their problems were and what could be done to alleviate them.

In its research, the study commission concluded that the problems of SMSA's, if you could identify the root cause, resulted from people who were moving into the SMSA's at a rate that was too fast to be assimilated by local governments—roads could not be constructed fast enough nor schoolrooms built, nor utility lines extended. Local governments could not keep pace with the rapid population growth. People were moving there by and large from rural areas which were in turn suffering a reverse problem. These rural areas were losing their tax base and they were losing tomorrow's leaders.

The study commission concluded that if something was to be done to help the SMSA's of Virginia, it had to help solve the problems of the rural areas as well. Based upon the conclusion, recommendations were made to the general assembly and one of these recommendations was to establish a statewide program of planning districts which would in-

clude all local governments. The division of State planning and community affairs was given the job of drawing planning district boundary lines, deciding which local governments would be included in each district. This task was completed in July of 1969, when 22 planning districts were delineated.

Since that time, less than 2 years, 19 of the 22 have been organized; 18 of these are staffed—about 92 percent of the population of the State.

The planning district program is voluntary. State law says that district boundaries had to be delineated, but local governments decide among themselves whether or not they want to organize a planning district commission, to make the district operational. When such a decision is made, a charter is drawn up and a policymaking body is appointed as the planning district commission. A majority of those who serve on it are elected officials, members of town or city councils, or boards of supervisors of counties. The others are citizens who hold no elected office but who are appointed by elected officials of local governing bodies.

I was interested in Mr. Ink's statement this morning saying that he thought policymaking bodies of planning districts should be composed of entirely elected officials, whereas Mr. Sundquist said that perhaps the vast majority of these board members should be nonelected citizens from the district who are familiar with the region's problems. These policymaking boards in Virginia districts have a majority of elected officials, because these individuals are able to relate to their fellow local government official the work that the planning commission does and thereby gain support for its progress. The nonelected members are able to react to problems from the citizen's viewpoint.

The policymaking body sets the program for the district. It hires a staff and together with the staff, determines the district's priorities and work programs. Operating money comes from three sources: local, State, and Federal. The State of Virginia is currently putting up three-quarters of a million dollars each year on a per capita basis to finance the activities of planning districts. This money is matched by local governing bodies in their contributions to planning district commissions.

The major responsibility of planning district commissions is to plan on an intergovernmental basis, but they do not implement their plans. However, in Virginia, this is on the horizon.

The programs of Virginia's nonmetropolitan planning districts—some things which many are doing—include planning for water and sewer facilities, open space and recreation, housing, comprehensive health, base mapping, transportation, solid waste disposal, law enforcement, and drug abuse control.

The advantages of planning districts to local governments are several. One advantage is that they provide technical assistance to member local governments. In many instances problems which face local governments are not solved because there is nobody to work on them. When the problems are intergovernmental there may be no one designated to study and recommend ways to solve them. Where planning district commissions exist there is a staff that works with local governments to solve intergovernmental problems.

Another advantage is in achieving areawide coordination, planning districts can relate governments to Federal and State programs that

are available to help alleviate rural area problems; at the same time, planning districts also relate the functional needs of the district—planning for roads, parks, law enforcement, housing—to see that these needs are dovetailed with the available programs to help solve them.

Providing a regional overview is another advantage. Virginia's planning districts are A-95 clearinghouses and as such they provide local governments, by virtue of their membership on the commission, a knowledge of what is happening in the region, the types of Federal programs that are being used and what other local governments are planning.

They also provide local governments a unified voice for addressing State and Federal agencies. This is more effective than having a local government as a single entity try to deal with State or Federal agencies.

Now, for some specific ways in which planning districts can help solve intergovernmental problems in rural areas. From the viewpoint of three levels of government—local, Federal, and State Government. First, the local government example—and this is, I think, the essence of what S. 10 is all about. In the far southwest part of Virginia, there is a planning district named Lenowisco. The name was derived from the first two letters of the names of each of the jurisdictions that comprise it. The counties of Wise, Lee, and Scott and the city of Norton. It is an area where the predominant industry has been coal mining, and for the last 20 years the area has been losing population. People have been moving away to seek employment in metropolitan areas. When the Lenowisco Planning District Commission became organized, it decided that it had to try to reverse this population trend. It had to help bring new jobs to the region and to do that, it had somehow to attract new industry.

So Lenowisco set out first of all to interest its member local governments in an industrial park project. It selected a site for development. It found a 1,000-acre tract of relatively flat land and proposed some ideas for developing the land. As a result its local government members became involved and interested. Because of this promise of hope in this relatively poor area of the State, the four local governments put up \$350,000 to purchase options on the land to undertake initial planning work. The show of interest on their part interested several other agencies. EDA, for example, contributed a matching \$350,000. It matched the money that the local governments had contributed and EDA money helped to pay for a part of the initial water and sewer construction, site preparation, and feasibility study.

The Tennessee Valley Authority also became interested. It contributed a half million dollars worth of flood control work, \$350,000 of which came from TVA's budget.

The Appalachia Regional Commission, which is active in the Lenowisco area, contributed the additional \$150,000 which was needed by TVA to complete the flood control work. The Virginia Department of Highways constructed a \$110,000 industrial access roadway; the Southern Railway spent \$150,000 extending railroad spurs into the Duffield site; the Appalachia Rower Co. loaned \$52,000 toward the project. The Virginia Industrial Development Division assisted with site design and promotion. In all, almost a million and a half

dollars was spent by private and public agencies to develop this project in rural Virginia.

In 1969, the Duffield Development Authority was chartered, and as of now, the project is well underway. Construction of the industrial park has begun and the first new industry has signed a lease. When the entire site is developed, 5,000 new jobs are expected with a total payroll projected for around \$33 million.

The Duffield Authority and the Planning District Commission are governed by an interlocking board. The same individuals serve on the policymaking body of each organization. Because the planning district commission is not allowed to implement its own plans, the development authority was created for that purpose.

Duffield would not have resulted without the planning district commission's involvement. The commission who promoted the project from the beginning. It had to motivate local governments to act. And this project is only one activity of that planning district which provides a well-rounded program of planning to help local governments.

Next, the State example. The Virginia Division of Justice and Crime Prevention, which administers Virginia's law enforcement program, has chosen to administer it through the State's planning district commissions. The division makes grants to planning districts and they in turn prepare regional law enforcement plans which are used to develop the statewide law enforcement plan. This is a valuable service to both the State and its local governments.

Finally, at the Federal level, an example which I observed when I worked in Georgia. The Farmers Home Administration in the 1960's, instituted a loan and grant program to finance water and sewer facilities in towns of 5,500 people or less where acceptable plans had been produced. In Georgia FHA might have had to deal with several hundred small communities, an administrative task that was beyond FHA's staff capability. It learned about Georgia's 17 planning districts and found that by making a grant to each of these agencies, each district would do the planning work that was needed in its eligible communities. This arrangement worked out beautifully for FHA. They were most happy with the results. These are examples of how planning districts can help solve problems at the various levels of government.

Now, to conclude with some comments and recommendation how the Federal Government can bolster planning districts. Serious problems with most planning districts is their small staffing and operating budgets and in rural areas, this is especially true. For the most part because most budgets for planning districts are related to the district's population. Often in rural areas, when there is enough people in a district to assure a viable budget on a per capita basis, the resulting district is too large to administer—too many local governments to work effectively, too much territory to cover. Additional Federal programs are needed which make planning grants to planning district commissions. EDA, the Appalachia Regional Commission, the Department of Housing and Urban Development, LEAA's law enforcement program, and HEW's comprehensive health program are examples of agencies and programs which do make such grants, but they do not cover all of the planning districts and more operating funds are needed.

Next, more flexible grants are needed which allow planning commissions to develop innovative programs. I am convinced that local people know more about their needs than either State or Federal officials and when grants to planning districts are earmarked for particular programs, the result is to make followers out of planning districts, when they should be leaders. They should have grants which allow them freedom to innovate like the Lenowisco Commission did on its Duffield project.

The positive results which local governments receive from planning district activities may not occur quickly. They certainly do not happen overnight and sometimes they take years. The Duffield project has been 5 years in the making. Because of this timelag local governments often inquire "Why should we remain a member?" One incentive to keep local governments participating is grant provisions—bonus provisions like EDA's—which, when an eligible local government is a member of an EDA sponsored planning district and receives an EDA program grant, that jurisdiction is eligible for a bonus grant because of its involvement in the planning district program.

A stronger acceptance is needed by some Federal agencies of State-sanctioned planning district commissions as areawide functional planning agencies. I spoke recently with the director of a planning district that is also the areawide comprehensive health planning agency. The planning district has a health planner on its staff and has applied for a planning grant from HEW to finance the health planning program. I am told by the director that he was visited by some HEW officials who questioned the decision to combine the two planning functions. These officials thought it would be better to establish the comprehensive health planning program as a separate agency, not connected with the planning district commission, to have a separate health planning staff located elsewhere in the district. This, however, is not what the planning district commission wants. The district has on its policymaking body the chairman of the board of supervisors of each county, the mayor of each city and town, and a chief executive officer of each local government. The decision to combine these two planning functions has been made by these local officials but it is being questioned by HEW.

Finally, uniform Federal policies are needed for using planning districts as agencies of local government to meet functional program requirements for areawide planning and coordination. Now each Federal agency makes its own rules on such matters but the planning district commission should have a voice. This was touched on by Mr. Mackey, so I will not elaborate. But planning district board membership and program priorities are set by various Federal agencies and a uniform policy is needed to coordinate these requirements.

With that, I will turn it over to Mr. Griffis.

The CHAIRMAN. All right, Mr. Griffis.

Mr. GRIFFIS. I would like to discuss some of the coordination problems we have experienced in Virginia in Federal programs, probably echoing some of the comments Mr. Mackey made earlier. Then I would like to make a few recommendations relating to rural area development based on our experience with the Appalachian and EDA programs as operated in Virginia.

First of all, we believe it is essential to the coordination of State and local programs that they first be coordinated at the Federal level

as far as administrative guidelines, agency responsibilities, and so forth, are concerned.

Now, in the water and sewer area, Mr. Mackey mentioned that there were five agencies in the water and sewer business in South Carolina. In Virginia, there are six Federal agencies that we have to deal with in the water and sewer area. In many cases, the programs are assigned to agencies according to geographic or population size factors, for example the Farmers Home Administration, which serves areas only up to 5,500 population. Assignment of programs in this manner often creates problems in that there is no overview and no relation of these many water and sewer grant programs back to the overall State water resource planning function. We have a division of water resources which is doing water resource planning for river basins across the State which could serve as the overall State water resources coordinating agency if utilized by the several Federal agencies in the water and sewer area.

In many cases, the Farmers Home Administration and the Soil Conservation Service in their small watershed programs have bypassed the State water resources agency and have gone directly to the local governmental units. Before the State agency responsible for overall coordination of the water resource planning has gotten involved, the programs and plans will have been pretty well established. At that point, it becomes very difficult for the State agency administering the water resource programs or the A-95 program, to turn down a project which may have local support behind it, but also may be supported by a particular State agency which may be a counterpart of a Federal agency, and it may also be supported by a Federal agency. Under these conditions, it becomes very difficult for the State or regional A-95 review agency or water resource agency to turn down a particular project.

Many of these smaller FHA and soil conservation and watershed projects offer only partial or temporary solutions and in many cases, they will conflict or have the potential for conflicting with overall State water resource planning goals in the future.

Now, I would like to talk briefly about the experience we have gained through the Appalachia and the EDA programs as far as rural area development is concerned. We feel that in any rural area development program, a growth center approach can be very valuable. In Virginia, we have delineated growth centers; at least one in every one of our 22 planning districts. I might point out that these growth centers in Virginia are more on the nature of growth corridors rather than particular isolated localities. Most of the growth centers are located along interstate or arterial highways in Virginia and are interconnected areas along these highway transportation corridors which are considered as growth corridors. In this way, we feel that we can overcome some of the problems of small size. In any growth corridor, we may have an area or a locality which will serve as an industrial or commercial center and other areas which will serve possibly as residential or bedroom community areas. We have designated 41 growth centers and they range in size from the major metropolitan areas all the way down to towns of 500 to 700 population. But each one of these is located on or with easy access to a major highway transportation corridor. We feel that the benefits of this approach are

that an industry would be stimulated to locate in one of these corridors because the highway access would create an adequate labor market as well as allowing the industry to get its natural resources in and its products out very easily.

Now, drawing on work we have done for the Appalachian Commission, and this is where I come back to my first point, the necessity of coordinating programs at the Federal level so that they can then be coordinated at the State and local level, we have found certain coordination problems related to rural area development and have a few recommendations to overcome these problems. We feel that in the area of developmental type expenditures or what the economists call infrastructure or capital overhead investment, it is very essential that these types of public expenditures be channeled into some type of growth center or growth corridor in order to be effective. The reasoning behind this recommendation is that the public developmental expenditures are necessarily limited and therefore must be channeled into areas where the greatest impact is likely to be felt. In reviewing the experience with the EDA and the Appalachian programs, the Appalachian program has designated growth centers as far back as 1966. In looking at the operation of EDA within the Appalachian area—the areas tend to overlap in Virginia—we have found that very few of the EDA-funded projects which are mostly developmental in nature were located in growth centers.

In looking at this problem, we feel that there should be a differentiation between infrastructure investment or capital overhead investment and other types of public investment and that the infrastructure or capital overhead investment should be channeled into or given top priority as far as being placed in growth centers or growth corridors.

We realize that it probably would not be the best policy to have a completely inflexible program with regard to growth centers, but we feel that the infrastructure-type investments, the water and sewer systems, the industrial parks, the industrial access roads, the housing, the airports, things of this nature, be channeled into growth centers, or some priority be established whereby growth centers would get the top priority in these types of investments. We realize that other types of public investments for such things as education and welfare would still have to be generally spread around and could not probably be channeled so strongly into growth centers. To accomplish the channeling of developmental expenditures into growth areas would require that the Federal agencies making these types of investments accept growth center boundaries and effectively coordinate their various programs toward priority investments in growth centers.

Now, I would like to look at one other program which is essential to rural development. That is the area of manpower training. This area, I think, deserves special attention in rural area development, because it is one of the more important areas and at the present time, one of the least well-coordinated program areas. In Virginia, there are something like 17 or 18 different manpower programs administered by probably eight or nine different governmental agencies at all levels, as well as some private agencies. I think the AFL-CIO administers one of the manpower programs in Virginia. An attempt has

been made at coordinated manpower programs through the cooperative area manpower systems program or CAMPS. But not all of the existing manpower programs are under the jurisdiction of CAMPS; and second, CAMPS is only an advisory body which has no authority to direct or effectively coordinate the various manpower programs.

There are some other problems with manpower training. In the past, many of these programs had been geared exclusively to the local labor market. The result has been that many more workers were trained than could be placed locally. This caused quite a bit of difficulty in many of these programs.

Another problem has been that the training and retraining programs have in many cases been oversold in terms of the levels of worker placement upon completion. The various manpower programs essentially are aimed at bringing people up to the entrance level of the various occupations and they are not intended and do not produce skilled craftsmen. In many cases, the impression was given that the people who went through these programs would come out as skilled craftsmen and they would be able to find appropriate jobs.

This has again caused many problems in falsely raising the aspirations of many workers who were trained in these programs.

Now, we have a recommendation with regard to the manpower area. We feel that the training program should be geared to the occupational needs of, first of all, the planning districts and, second, statewide. And we feel that further, they should be tied into more advanced training programs in such things as apprenticeship training or in community colleges so that further training is readily available for those desiring further training. I think care must be taken also not to oversell these programs in terms of their outputs or placement levels.

Thank you.

The CHAIRMAN. Well, thank you very much, gentlemen.

What can you tell us about the development in those districts since they were formed? Has there been any appreciable economic growth?

Mr. KIDWELL. It is still too early to measure. The program is less than 2 years old and the first districts were organized about 18 months ago. The Lenowisco District grew out of a regional planning commission that was organized in the midsixties. In rural Virginia, Lenowisco's Duffield project is the one big impact that has been made in terms of industrialization. There are many districts that are working on programs which will benefit local governments—rural solid waste disposal, for example, is both a critical need and a very difficult problem in Virginia. Several rural area districts are working on regional solid waste disposal plans in cooperation with their local governments. This is the type of thing that the districts are involved with, and primarily its planning.

There is a provision in the Virginia law for an organization called a service district. That is the next step beyond planning districts. The Lenowisco planning district is the only one thinking seriously about organizing a service district. A service district would actually provide governmental services. Anything that local governments would want to turn over to it—industrial development, sewer and water facilities, housing—there is virtually no limit to the services that could be pro-

vided if a service district were created. A service district is created by referendum. The people in the area have to vote it in.

The CHAIRMAN. Is there a way to determine the amount of jobs that may have been created as of now?

Mr. KIDWELL. At this point, there is not, sir.

The CHAIRMAN. Is it a bit premature?

Mr. KIDWELL. In the Lenowisco area, the first industry in Duffield has been leased and this will create about 93 jobs. It will be opened in the summer.

The CHAIRMAN. All right, gentlemen. Thank you very much. I appreciate your cooperation.

Mr. KIDWELL. Thank you, sir.

(The prepared statement referred to previously follows:)

STATEMENT OF STANLEY S. KIDWELL, JR., CHIEF, PLANNING DISTRICT SECTION, AND ROBERT J. GRIFFIS, ECONOMIST, RESEARCH SECTION, DIVISION OF STATE PLANNING AND COMMUNITY AFFAIRS; STATE OF VIRGINIA

The Virginia Division of State Planning and Community Affairs, organized in 1966, is a part of the Governor's Office. Its major activities include state planning, housing, environment, human resources, rural affairs, community planning, model cities, public administration, Title VIII training, economic opportunity, legislative analysis, gerontology, research and information, federal relations, and planning districts.

These remarks will concentrate on one phase of the Division's work—the planning district program and on findings of the Division's Research Section in regard to coordination of federal programs in rural areas.

BACKGROUND

In 1966 the General Assembly created the Metropolitan Areas Study Commission to examine the State's urban problems and to recommend actions for solving them. The Study Commission established that a definite relationship exists between the problems of urban and rural areas. The migration of people from rural locations to seek broader employment opportunities in urban centers causes hardships in both places. In rural areas it means losing the young productive citizen who would be tomorrow's community leader. In urban areas it means trying to finance schools, roads, water and sewer lines, and other community facilities which a growing population demands. One Study Commission proposal to help solve this dilemma was to create a system of regional planning districts on a statewide basis. Responding to this idea, the 1968 General Assembly passed the Virginia Area Development Act which required the delineation of planning districts and authorized the establishment of planning district commissions (PDC's).

DELINEATION OF DISTRICTS

The Act required the Division of State Planning and Community Affairs to apportion the State's counties, cities, and towns into logical districts for areawide planning. The Division worked for a year to delineate these regions. It began by examining State, regional, and local development trends in terms of population, transportation networks, commuter patterns for retail shopping and employment, natural land forms, such as rivers and mountains, and other pertinent criteria. It met with organizations and individuals throughout the State to gather information needed for delineating planning districts and, in one particularly ambitious move, it scheduled and conducted in an eight-week period a meeting with the Board of Supervisors in every county and the Council in every city and eligible town—159 meetings with elected officials and other interested citizens to explain the planning district concept and to seek ideas on delineating workable planning districts.

Twenty-two proposed planning districts were delineated, and a public hearing was conducted in each. The boundaries of some districts were altered as a result of information gathered at the hearings. Final planning district delineations were announced in July 1969.

FORMING A PDC

When district delineations were announced, local governments were able to organize planning district commissions. To establish a PDC, two or more local governments which together have a majority of the population within a district must formulate a charter agreement which describes the make-up of the Commission.

A charter agreement must stipulate:

1. The name of the PDC.
2. The location of the Commission's headquarters.
3. The effective date of the organization.
4. The composition of the policy-making bodies.
5. Terms of office and voting rights of PDC members.
6. Procedures for amending the charter and for addition of other governmental subdivisions with the planning district which were not parties to the original charter agreement.
7. The procedure for withdrawal of PDC members electing to do so.

FINANCING A PDC

Money to operate a PDC comes from three basic sources—the State, member local governments, and federal grants-in-aid.

State financial aid to a District Commission is based upon the total population of the jurisdictions which are members of the Commission. The State may provide financial assistance of up to \$5,000 for each 25,000 persons (20¢ per capita) but no grant can be less than \$10,000. Total State grant funds allocated to PDC's for fiscal year 1970-71 amount to \$750,000 and this total \$775,000 for fiscal year 1971-72. Although not required by law, the State's PDC funds are matching grants which equal the sum contributed to the Commission by its local governments.

Member local governments also contribute operating money each year to a PDC usually on a per capita basis. The rate currently varies from about 11 to 40 cents; however, the State limit to a Commission is 20 cents.

Federal funds are available to help finance some Commission activities. Federal agencies which have made grants to Virginia PDC's include: Department of Housing and Urban Development, Economic Development Administration, Appalachian Regional Commission, and the Department of Health, Education, and Welfare.

Money allocated to a PDC is to establish an office and to employ the professional staff which carries out the Commission's work program.

THE RELATIONSHIP OF A PDC TO ITS LOCAL GOVERNMENTS

The enabling act puts full control over a PDC in the hands of its local governments. For example, it provides that elected governing body in each political jurisdiction must decide whether its local government shall join a Commission. No local government is required to join or participate in a Commission and in fact, even after it has joined may withdraw and cease to be a member if it chooses. Another provision of the law which safeguards local governments requires the members of a Commission's policy-making body to be appointed by the governing bodies of local governments which join it. The statute further stipulates that a majority of these members must be elected officials of either a county board or a city or town council.

Members of a PDC set its policies, determine its work program and hire its staff. They have complete authority over the Commission's activities, so in reality planning district programs are likely to be programs of local governments.

Each PDC determines the activities it will undertake on a regional basis and formulates a plan for the orderly physical, social, and economic development of its area. In putting together its work program, the Commission decides what are the area's most critical needs. If, for example, solid-waste disposal is declared a high priority problem within the planning district, the Commission might then direct its staff to gather information needed to devise a plan which the district's local governments could use to solve solid-waste disposal problems. As a further safeguard to local governments, the law gives each local governing body the power to reject the recommendations of its Planning District Commission if in their opinion the recommendations do not fit local needs.

The objective of the planning district program is to help local governments help themselves and State government knows that if this is achieved, it too will profit along with its local governments.

THE PLAN

Each PDC is required to formulate a comprehensive plan for the orderly, physical, social and economic development of its area. The plan must be sent for review to the Division of State Planning and Community Affairs and to each local planning commission. After review by these groups it is submitted to the public at a hearing sponsored by the Planning District Commission and finally to the local units of government for adoption. The Planning District Commission must approve the plan before it becomes official, and it is binding only on those jurisdictions whose governing bodies adopt it. All public improvement projects and land use programs must thereafter conform to the plan in those jurisdictions which adopt it. A plan is expected to be continuously reviewed and amended as necessary, but a thorough review must be conducted at least once every five years.

THE NEED FOR AREA-WIDE COORDINATION

Area-wide coordination among local, general purpose, and special purpose governments is not a matter of convenience, but one of necessity. The independent actions of any one government are in fact closely related and intergovernmental activities, among governments at the same level and among those at different levels, are also tightly woven together.

In a governmental system and social order as complex as ours, the need for properly integrating governmental affairs must be recognized. All parts of a government system of laws, taxation, zoning, transportation, public utilities, housing, and pollution abatement, to name a few, must be considered and related when public policy is made and implemented. For example, highway development affects land use patterns, which in turn affects water and sewage system needs. Water requirements can be related back to soil conservation and forest management practices and to the location of water impoundments. Land use also influences a local tax base and how well a locality can provide the public services necessary for the health, safety, and welfare of its constituents through police and fire protection, libraries, building inspection, etc. These interrelationships do not stop at political boundaries, and they seem to be countless.

These important facts of life in 1971 necessitate extensive cooperation and coordinated efforts by local governments. Regional planning agencies such as Virginia's PDC's are the appropriate area-wide institutions through which many local governments can relate their varied interests, needs, and activities.

Perhaps the most obvious incentive for area-wide planning and coordination is the fact that so many governmental issues transcend political boundaries and demand regional approaches for proper public management. These include such concerns as transportation, pollution abatement, river basin planning, housing, employment, and forestry management. There are no satisfactory unilateral solutions to these problems. Intergovernmental coordination is required and PDC's are an acceptable device for achieving it.

Area-wide planning agencies are but one stage in the evolution of local planning efforts. Soil conservation programs, forestry management, highway development, river basin studies, and special purpose governments are examples of government activities which have been planned and coordinated on both a regional and local basis for many years.

Further, regional planning is a matter of both Federal and State law. The Economic Development and Public Works Act of 1965 provided for multicounty planning agencies, enabling eligible counties to establish Economic Development Districts. The Intergovernmental Cooperation Act of 1968, a Congressional response to the need for coordinating the many Federal grant-in-aid programs at the State and local level, provided for regional A-95 review procedures. In Virginia, participation by local governments in regional planning commissions has been provided for in the State code for many years.

Localities have been quick to embrace the planning district concept because of the advantages which belonging to a PDC offers. These include:

Achieving Intergovernmental Coordination.—The question is not so much the need for area-wide coordination; regional planning efforts and legislation already testify to the policy-makers' recognition of it. Rather, the key issue is how area-

wide coordination can be best implemented during this particular stage in the development of governmental planning.

While "horizontal" coordination is necessitated by demographic, transportation, economic, geographic, and public service similarities among neighboring governments at the same level, our Federal system requires "vertical" coordination among governments at different levels.

Much Federal legislation is written in broad terms to define the national interest and is dependent upon State enabling legislation for implementation. States may define the conditions under which their localities may participate in some of the Federal programs legislated by Congress. State legislation is often subject to the interests, demands, and political pressures of local governments. Further, the States may enact legislation subject to local option.

In an administrative sense, and from a systems viewpoint, the "outputs" of Federal agencies are the "inputs" to State and local agencies, while the interests, demands and policies of State and local agencies are inputs to Federal agencies. For example, a Federal administrator must contend with decisions, appeals, requests, and needs of judges, legislators, executives, and administrators of every State and local agency which deals with his organization. In turn they must abide by the program standards and administrative guidelines of his agency. Much of this vertical coordination is triggered by the variety of Federal grant-in-aid programs.

The existing channels of vertical coordination suggest the need for formal structures to relate intergovernmental activities for planning purposes. Virginia's PDC's are the appropriate coordinating agencies for Federal, State, and local programs.

Gaining a Regional Overview.—Application procedures for many important Federal grant programs require that localities file their "notice of intent to apply" through a regional agency for its review and comment. This is the A-95 review process, designed to insure that the actions of one local government do not pose any harm to the public health, safety, and welfare of its neighbors. It is also intended that localities coordinate their services where desirable, encourage a "regional consciousness," and promote regional planning. The process can also benefit local governments by bringing to bear the experience and expertise of other localities.

In Virginia, review of localities' notices of intent to apply to Federal and State agencies for loans or grants-in-aid is provided for by the enabling legislation which permits localities to establish PDC's.

An Information Source for Localities.—Areawide coordination through the PDC's is also based on the need for State and Federal agencies to "get the word" about their programs to localities. Because of the variety of financial assistance programs and agencies' activities, as well as the fact that Virginia has 134 cities and counties, almost 200 towns, and over 300 special authorities, a regional planning agency is the logical channel through which agencies can work.

Local elected officials need to be aware of the many on-going, new, and changing Federal and State programs. A regional forum where they can meet with agency representatives provides the best source of such information. The normal work of an areawide coordinating agency will bring much of this information to light.

A Stronger Voice for Addressing State Government.—Areawide coordination, sponsored by a State administrative agency through regional planning bodies, is needed to give local governments another channel through which they can express their area needs to policy-makers at the State level. Thus Virginia's PDC's represent an opportunity for member local governments to participate in the State's administrative decision processes by expressing their interests to State agencies through the Division of State Planning and Community affairs and the Governor's Office of Administration.

This factor should prove to be increasingly important to rural areas if metropolitan Virginia continues to grow and rural representation in the General Assembly wanes.

Providing Technical Assistance and Information Services.—Areawide planning agencies can assist the planning efforts of those participating local governments which do not have the financial ability to staff their own planning operations.

Many local governments do not have the time or the experts to assimilate the information about the many Federal and State programs. As they mature,

regional planning agencies should be able to coordinate more of this information as a service to participating jurisdictions.

As a practical matter, staff, financial, and information resources are limited for most local governments, while at the same time they are being required to perform more and better public services. They must use every available resource, including regional planning commissions, to supplement their own capabilities.

A Stronger Decision-Making Role for Local Governments.—A common local criticism of regional agencies designed to coordinate local planning efforts is that they represent another layer of government and weaken local autonomy. At the same time, localities are being required to deal with an array of difficult issues (transportation, law enforcement, zoning, provision of water resources, solid waste disposal, environmental quality, etc.) which test their resources to the limit. Few will deny that they need assistance to meet their public service challenges.

When local governments do not attempt to resolve these issues, either by themselves or in conjunction with others, they risk abandoning some of their autonomy to higher levels of government since the jobs must be done by some authorities. If this occurs, the governing activity properly within the local purview will be directed by Federal or State administrative agencies, not directly responsible to local elected officials.

However, by coordinating their efforts with localities within their region, local governments could get help in public service areas where they most need it and retain decision-making prerogatives over local programs.

PDC's fill a void which local governments are not meeting. Programs which they plan for on behalf of their member jurisdictions are things which these political subdivisions are not able to carry out by themselves on a regional basis. In Virginia, the list includes such projects as planning for solid waste disposal, comprehensive health, outdoor recreation, air pollution control, law enforcement, economic development, housing, civil defense, and drug abuse control.

Political subdivisions in metropolitan areas have had the advantages of regional planning for many years. PDC's in rural areas are a recent innovation, but non-metropolitan localities are now realizing the benefits of intergovernmental cooperation through area-wide planning to solve regional problems.

PROBLEMS OF FEDERAL-STATE-LOCAL COORDINATION

One of the major contributors to the difficulty of coordinating programs for the development of rural areas at the State and local levels is the lack of coordination at the federal level. A pre-requisite for State and local coordination of programs and projects to avoid overlap, duplication, and poor public investment decisions is that these programs and projects be coordinated among the administering federal agencies. As has been documented in previous testimony before Congressional Committees, the proliferation of federal programs spread among numerous federal administering agencies has added to this problem considerably in the last decade. A prime example of this type of coordination problem and a program area particularly relevant to rural development is manpower training. A related coordination problem exists where no central coordinating body exists or where a central coordinating body has been established but lacks the authority over the program components to accomplish effective coordination of programs. An example of the latter situation is the Cooperative Area Manpower Systems Program (C.A.M.P.S.) which was established to coordinate manpower programs but lacks the authority to do so—being only an advisory body.

Another reason why coordination is difficult at the State and local level is due to the bureaucratic structure of many federal programs. In many program areas, responsibilities or functions are divided up between federal agencies based on area size or geographic area served or some other measure. The result is that programs are developed and pursued in various regions or area size classifications with no overview as to the overall program effects. Two examples will serve to point up this problem. In the area of water and sewer grant programs, five federal programs operate in Virginia—those administered under the Farmers Home Administration for localities up to 5,500 population; those administered by the Department of Housing and Urban Development (HUD) for metropolitan areas and in some cases smaller areas; the programs under the old Federal Water Quality Administration now part of the Environmental

Protection Agency (EPA) which serve areas above 5,500 population generally; the program of the Appalachian Regional Commission (ARC) which serves the Appalachian region; and the Economic Development Administration (EDA) of the Department of Commerce) which serves designated redevelopment areas. Since each of these programs generates a multitude of projects from their constituents and there is no overall coordination at the top, the problem of coordinating the efforts in this area toward an overall developmental goal by State or local agencies is nearly impossible. The other example pertains to the relationship between the Appalachian and EDA programs whose program boundaries overlap in certain parts of Virginia. In reviewing program expenditures for both programs in Appalachian Virginia from the beginning of the ARC program until 1970, it was found that the great majority of EDA expenditures were for projects located outside of the ARC designated growth corridors which were established to serve as the locus of developmental type expenditures. Both ARC and EDA function to make "infrastructure" investments designed to aid in the development of lagging regions and with no overall strategy or coordination geared to a concept such as growth centers, the possibility exists that public funds will be spread too thin to be of any benefit.

Other general coordination problems which exist in many programs and areas are the overall lack of communications between administering agencies at all levels since most federal agencies have counterpart State agencies which they deal with somewhat exclusively and the general informational problem faced by State and local governments faced by a large and growing number of federal programs and administering agencies—each with its own set of guidelines to be followed.

The CHAIRMAN. Our next witness will be Mr. Calvin L. Beale, of the U.S. Department of Agriculture Economic Research Service, and leader of the Population Studies Group.

Do you want to highlight your statement?

Mr. BEALE. Yes, if you please.

The CHAIRMAN. It will be printed in the record in full. You may proceed.

**TESTIMONY OF CALVIN L. BEALE, ECONOMIC RESEARCH SERVICE,
U.S. DEPARTMENT OF AGRICULTURE**

Mr. BEALE. I would like to summarize the statement so, I will refer to several charts and maps which are not in the statement but which will support what I am saying.

The CHAIRMAN. Off the record.

(Off-the-record discussion.)

Mr. BEALE. As has been noted, we have had very heavy outmigration from the rural areas to the cities; in particular since 1940. In this time, the farm population has dropped from 30 million people to now less than 10 million.

The CHAIRMAN. Dropped two-thirds since 1940?

Mr. BEALE. Yes.

The CHAIRMAN. Well, that is the length of time I have been in the Senate.

Mr. BEALE. With this level of just less than 10 million now, obviously there is not the same potential for decline of that particular segment of the rural population in the future as there has been in the past. But we do still have more than 40 million other rural people who are not engaged directly in agriculture.

I would like to go to the maps now if I may. They refer to the most recent decade.

The CHAIRMAN. Very well.

Can't these charts be printed in the record?

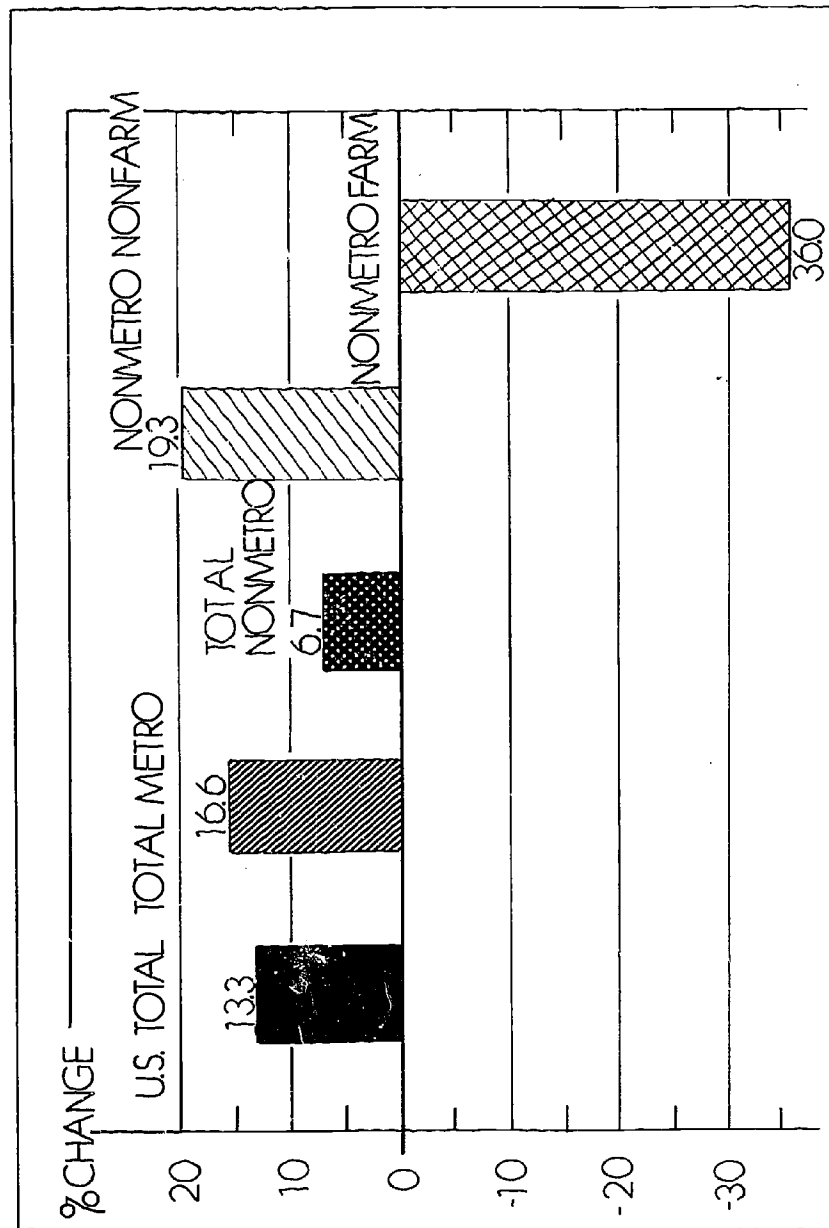
Mr. BEALE. Yes, I believe we will be arranging to do so.

The CHAIRMAN. I direct that they be printed in the record at the point at which you refer to them and let them be identified by the title.

Mr. BEALE. Right.

Mr. BEALE. This one relates to U.S. population change, 1960-70. The object is to compare the growth of the nonmetropolitan areas with the metropolitan and with the United States as a whole and then to show some of the internal differences within the nonmetropolitan areas. The nonmetropolitan areas are those which do not have any city of 50,000 people (map A).

MAP A
POPULATION CHANGE, 1960-70



SOURCE: BUREAU OF THE CENSUS

Prepared by the Economic Research Service, USDA

The United States had a growth of about 13 percent. The metropolitan areas increased by about 16½. The nonmetropolitan areas by only about 6½. Thus it is obvious at a glance that there is a major difference in the population change of these two areas.

In the absence of migration, the nonmetropolitan areas would have grown as rapidly as the metropolitan. They had about the same rate of excess of births over deaths. So the difference between them is due to migration, with about 2.4 million net outmigration from the nonmetropolitan areas into these larger urban centers, and the metropolitan areas also receiving the equivalent of all of our immigration from abroad.

However, if we look within this nonmetropolitan territory, which has something over 63 million people at the moment, about 30 percent of all people, we notice that there was an extremely heavy loss out of the farm population, about 36 percent, in just 10 years time.

The CHAIRMAN. That is just the last 10 years?

Mr. BEALE. Yes, sir; just since 1960.

The CHAIRMAN. There is 36 percent less farm population today than we had 10 years ago?

Mr. BEALE. That is correct. This is a drop of about 5 million in the nonmetropolitan areas alone. There are some other farm people within the metropolitan areas.

But the nonmetropolitan nonfarm population, which now includes the majority of the nonmetropolitan people—people in industry and in business, recreation, mining, construction—this population increased by about 19 percent, which is actually a larger increase than in the Nation as a whole and about at the same magnitude as that of the metropolitan areas.

In other words, the decline in population of the agricultural sector has been so great that it has, I think, considerably masked to the public view, the growth potential that is evidenced within nonfarm part of the nonmetropolitan areas, and it has cut down this overall growth to this low level that we see here.

The outmigration has not been as severe in the 1960's as it was in the 1950's, the net movement has not. The rate of movement from the farms as a percentage rate has remained just as high, about 5 percent a year, but as this farm base has diminished, that does not take as many people off the farms as it did in the past.

I would stress that there is a great deal of internal variation within the United States in these trends in the rural and nonmetropolitan areas.

I have two maps here that are on a comparable scale illustrating population change for each county. This map relates to the 1950's, the other one to the 1960's. The color scheme is in four colors here, in which the yellow counties had the most severe population decline, more than 10 percent. The orange counties had some decline, but less than that. The red and brown counties had population increases, with the brown having the largest increases. (See fold-in maps.)

** Deleted because of non-reproducibility*

Looking at the 1950's, there were about half of the counties showing decline, either yellow or orange, with very severe losses in many portions of the South, particularly the upland part of the South, the Black Belt, the delta, and almost all of the coalfields portion of the Appalachians.

The CHAIRMAN. Looking at my State, there is an area there, a strip of it, in the most severe loss area.

Mr. BEALE. At that time, yes, sir. And a good bit of the plains areas were losing, too.

Heavy increases occurred in this metropolitan belt along the northeast, in the industrial areas along the Lower Great Lakes region, in the Florida Peninsula, and then much of the Far West.

The picture in the 1960's, on the same scale, shows some similarities, but it also shows some rather significant changes. We still see the heavy growth of population along the metropolitan areas of the Northeast and the Lower Great Lakes, not quite as rapid, and in the Florida Peninsula, and much of the Southwest. But in many of the areas of the South, especially the upland South, including in particular many portions of Arkansas, there have been some turn arounds of population from loss to decline—

The CHAIRMAN. We had a very heavy loss in the 1940's and 1950's—

Mr. BEALE. In both decades.

The CHAIRMAN. Because of the mechanization of agriculture.

Mr. BEALE. Yes.

POPULATION LOSS REVERSED

The CHAIRMAN. Those people had nowhere to go. There were no jobs for them. They had to leave to try to find employment. But that trend now has been reversed during the past 5 or 6 years particularly.

Mr. BEALE. It shows up very well here, particularly in the northern and western portions of Arkansas and eastern Oklahoma where you can see, comparing the two maps, heavy decline has been changed to either modest or substantial population growth as a result of increased job opportunities in these essentially small-scale communities and rural areas.

The CHAIRMAN. I do not know whether we can get those maps printed in color for the record.

Mr. BEALE. Mr. Gunn and I have been in consultation about it and we will endeavor to do so if we can.

The CHAIRMAN. All right. Make whatever changes are necessary so that they can appear in the record.

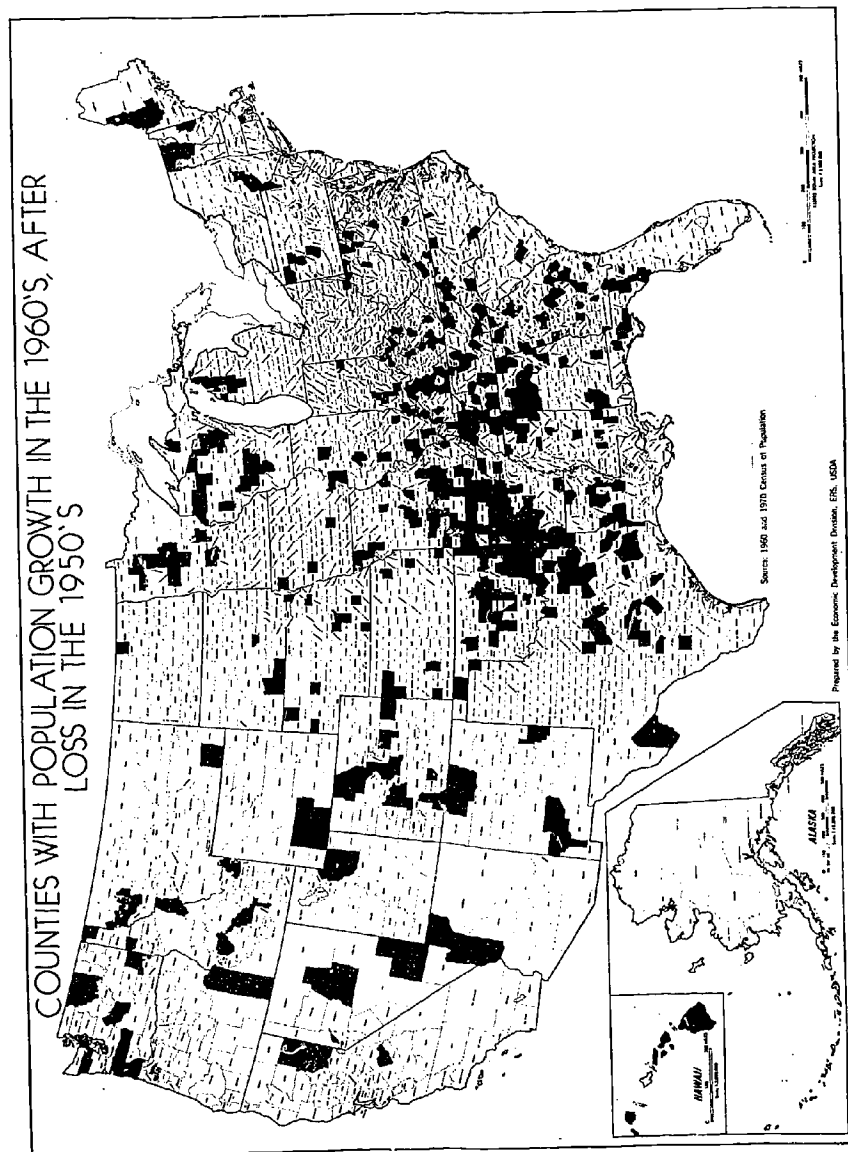
Mr. BEALE. Yes.

Also in portions of Alabama and Tennessee, we can see a similar change from rural loss to rural increase. But there are other areas where the rural outmigration has become more severe in the 1960's.

The CHAIRMAN. I notice that in the Dakotas and Montana the loss in the last 10 years has been greater than it was in the 1950's.

Mr. BEALE. Yes, very clear; also in southwestern Texas and parts of southeastern New Mexico. These declines in the southern plains are more associated, I think, with decline in oil employment, some military changes. In the northern plains, however, there is essentially the continued outmovement of people from agriculture as the farms are enlarged without alternative forms, sources of employment developing in this same region. (Map B.)

MAP B



I have now two other maps, if I can just flip these, that highlight the areas where the turnarounds in either direction have occurred.

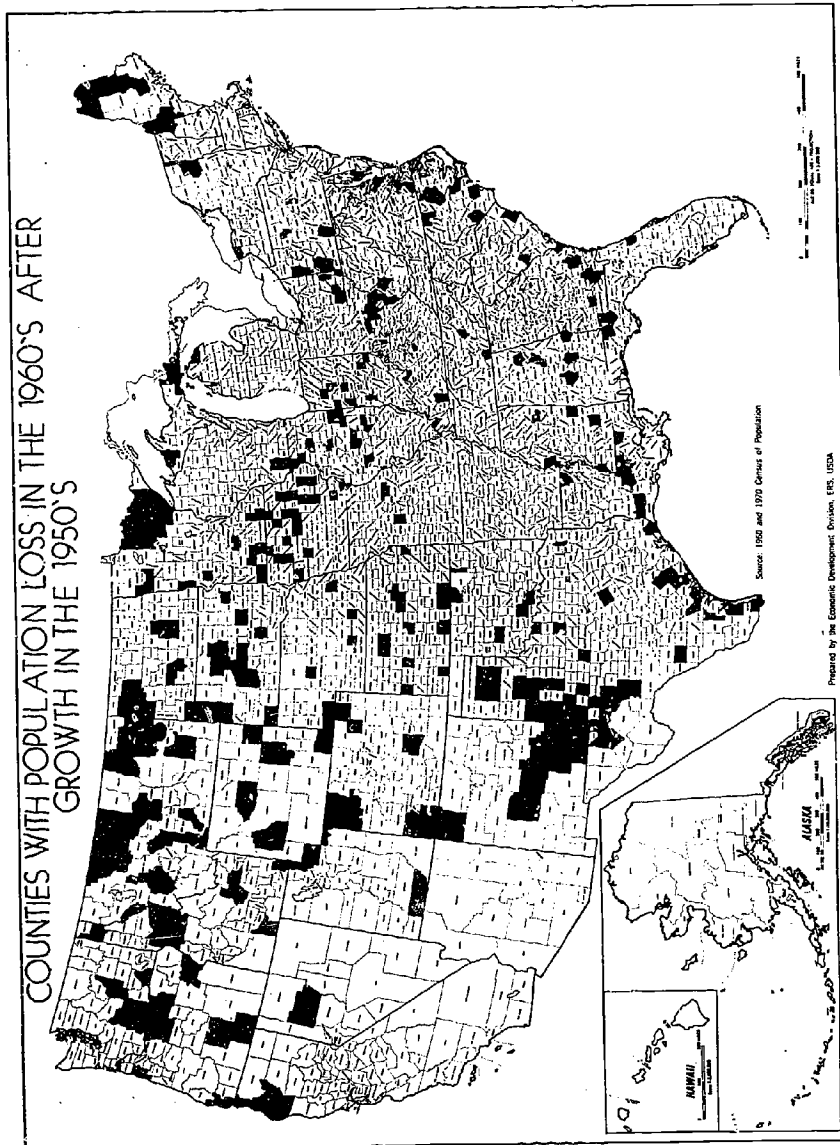
Here are approximately 500 counties that lost population in the 1950's but gained in the 1960's. They are very heavily nonmetropolitan counties and you can see this large group that does show up in the Ozark-Quachita and Arkansas Valley area. This is unquestionably the most outstanding example we have in the United States of the ability to obtain nonagricultural growth in an area that was not a particularly prosperous rural area to begin with, that was rather low, below average, in income levels.

You also see other areas in upland portions of the Southeast. And then some more scattered examples in parts of the West and of the northern Great Lakes.

So there are nearly 500 counties that did manage to move from a lost position to a gain and thus cut down or perhaps in some cases, altogether eliminate the net outmigration.

On the other hand, there are close to 300 that moved from a gain position in the 1950's to a declining population in the 1960's. So there is a certain amount of conflicting trend going on simultaneously within the nonmetropolitan area. (Map C.)

MAP C

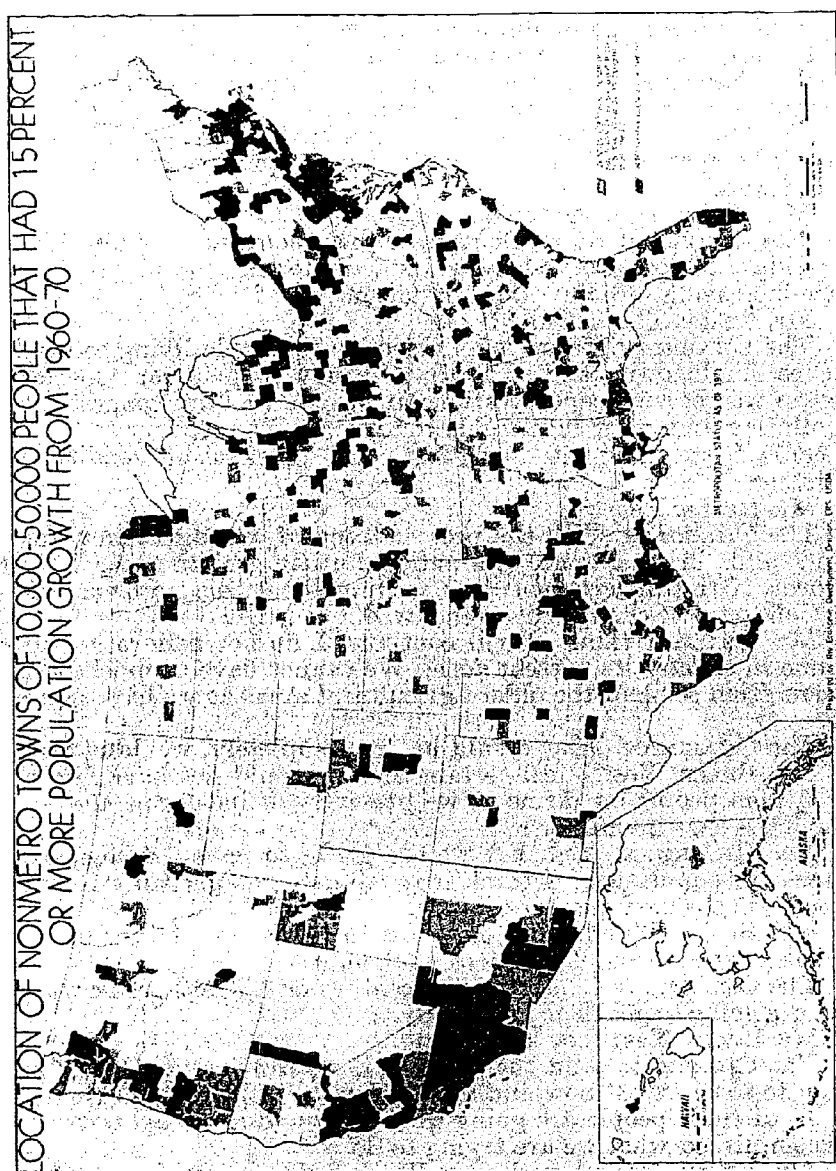


Here, more of the Corn Belt begins to show up, portions of the Great Plains, and this area down in the Southwest that I previously mentioned in southwestern Texas and southeastern New Mexico. But you see on this map very few counties show up in the upland portions of the South because considerable progress has been made in population retention.

One of the topics that has been mentioned earlier by other witnesses today is the question of growth centers. I would comment on it just briefly to the extent of showing this map of the location of counties containing nonmetropolitan towns that have grown by more than 15 percent in the decade. These are not growth centers in any legal sense or designated sense, but the purpose is to illustrate that there are approximately 200 rather well-distributed cities of 10,000 to 50,000 in the United States that have demonstrated growth in the last decade and which conceivably can serve as growth centers for further development efforts. There are many other cities of the same size that have not experienced this extensive growth. (Map D.)

MAP D

LOCATION OF NONMETRO TOWNS OF 10,000-50,000 PEOPLE THAT HAD 15 PERCENT
OR MORE POPULATION GROWTH FROM 1960-70



The yellow areas on the map show the metropolitan areas. I put them in simply for reference so that you could see the location of the non-metropolitan growth centers with respect to the metropolitan centers.

We find that the reasons for the growth of these smaller cities vary; some of them have grown for manufacturing, others have a combination of colleges and manufacturing, such as Russellville and Fayetteville, for example, in Arkansas. Many of them prove to be on interstate highways. This has proven to be highly associated with the population growth of rural areas and small cities.

The CHAIRMAN. Well, many counties have had no great loss or none at all because people have actually moved from the rural section into the towns.

Mr. BEALE. Into the towns; yes.

The CHAIRMAN. It would appear that the actual countryside is depopulating most everywhere while many towns, villages, and so forth are increasing in population. Is that not true?

Mr. BEALE. That is quite true.

The CHAIRMAN. There is no objection to people living in small villages, small towns, and so forth, that may be good for America. But when we get such concentrations of people, we have congested traffic, pollution and other intolerable conditions. We must try to keep more people from going into such areas and aggravating conditions still further.

Mr. BEALE. Yes, sir.

The CHAIRMAN. Will the present trend of outmigration persist, do you think, in the absence of a national urban growth policy? In other words, if the Government does nothing about this problem, takes no action to try to change this trend, will it continue?

Mr. BEALE. I think it will continue. I do not believe it will continue in exactly its present form. We cannot have as much outmovement from some of the older agricultural areas as we have had in the past.

The CHAIRMAN. They would be dry completely, wouldn't they?

Mr. BEALE. Yes. I feel certain that we could not have fewer than 6 million people on farms as we presently define farms and we now have less than 10 million.

The CHAIRMAN. Yes; but we are going to have a tremendous increase in population—I think it is estimated at probably 100 million people in the next quarter century.

Mr. BEALE. Whether we get them in a quarter century or a somewhat longer period, it does look as though—

The CHAIRMAN. A quarter of a century or 3½ decades or whatever, we are going to get them eventually.

Mr. BEALE. Yes; they are coming.

The CHAIRMAN. And the thing is if we can just arrest the migration to some extent now and make jobs available in those areas where a lot of these people are going to be born and grow up, we will have accomplished what we are trying to do.

Mr. BEALE. I agree with you. We find that something more than a fifth of the adults who live in cities are of rural childhood origin. There are about—well, these are 1967 data, but they happen to be the latest—already about 18½ million adults living in cities who are of rural childhood origin.

We do have some information on the extent to which they are in poverty as defined by the Federal Government in terms of income and the number of people in the family. The situation appears to be different for white migrants and Negro migrants. The rates of poverty are higher among the Negro migrants, considerably higher. But interestingly, the rural-to-urban Negro migrants are not any more likely to be in poverty than the urban natives of the same race. In this survey, about 27 percent of both were below poverty level so far as income is concerned.

With the white population, the rates of poverty were much lower, but in that population, there was a definitely higher incidence of poverty among the rural-to-urban migrants than there was among the urban natives. Thus, to the extent that rural-to-urban migration adds to urban poverty, it seems to do so principally through the addition of the numbers of people involved, not as much through any particular failure on the part of rural migrants to adjust to the urban environment and attain a reasonable level of income. But about 25 percent of all adults in the urban areas who were in poverty were persons who had come in from rural areas, about 25 percent.

I also wanted to say just a brief word about the matter of residential preferences, because I think it does lend support to the policies that you have expressed in the bill and to the general efforts to obtain greater development of the rural and small town areas. I do not think we have fully satisfactory information on the motives for residential preferences, but as was mentioned earlier, perhaps by Mr. Sundquist, every poll that we have thus far seems to indicate that a larger proportion of people would like to live in the rural areas or small cities than actually do. We do not know how serious they are about this; that is, we do not know how intensely they hold these feelings, whether they would be willing to take an income sacrifice to do so, because rural areas do have at the moment lower average incomes than urban. We do not know to what extent these are rural people who would like to go back or to what extent they are urban people who think they would like to go out. But there does seem to be no question about the fact that every poll that is taken indicates a desire on the part of a larger number of people to live in the rural areas and smaller cities than presently do so.

I would note that I see little chance of increasing substantially the proportion of people who will live in the future in rural areas and small towns, from the point of view that one measure of the success of your program or other efforts will actually be the creation of new small metropolitan areas. As places do grow, they move into a larger classification and change their character somewhat along with it. But there is, of course, a great difference between the living conditions in the small metropolitan areas as compared with the large metropolitan strips.

The rural areas as such in the United States have had an increase in the people living in them, but much of this has been reclassified as urban because of the growth process itself changing the character of the area. Thus, I suppose, this could be a precautionary statement in terms of expectation. I am optimistic about the prospects for development of most nonmetropolitan areas; although the problems in the

Great Plains are certainly more severe than in some other areas. There are exceptions. But I do think we have to realize that part of the result of a successful program in this respect will be to raise the size of these communities. We have such a large amount of population growth coming in the United States that we cannot put many millions additional into the small-scale communities without increasing the size of some of them. But that is the process.

The CHAIRMAN. Naturally, they will be increased. A lot of cities' populations will be increased.

Mr. BEALE. Yes.

The CHAIRMAN. But still, that helps to solve the problem of the great metropolitan centers, where they are so congested now that they are a burden to each other. People are a burden to the city and the city is a burden to the people who try to live there. But these towns have room to grow.

Mr. BEALE. They do.

The CHAIRMAN. And they can grow now with proper planning so as to avoid a lot of the problems that have developed in the big cities which have grown up without having the benefit of planning.

Mr. BEALE. Yes.

The CHAIRMAN. And keeping that in mind, we can avoid in the next quarter century many of the problems, many of the conditions that now prevail in our cities.

Mr. BEALE. Yes, sir.

The CHAIRMAN. Do you have any further statement?

Mr. BEALE. I think not.

S. 10 A GOOD IDEA

The CHAIRMAN. Do you think what we are trying to do here is a good idea?

Mr. BEALE. Yes. You understand that I am not in a policy position in the Department of Agriculture. I do not express the views of the Department at all.

The CHAIRMAN. All I am asking is your views, as a citizen, based upon your personal observations.

Mr. BEALE. Yes. I would agree very much with the views of Mr. Sundquist this morning, especially an expression of agreement with the policy that is described in the bill. Some things need to be flushed out in terms of the additional provisions he mentioned. But it is obvious from the wide variety of Senators supporting it that it has wide support and it meets a real need.

The CHAIRMAN. Thank you very much.

(The prepared statement referred to previously follows:)

STATEMENT OF CALVIN L. BEALE, ECONOMIC RESEARCH SERVICE, U.S. DEPARTMENT OF AGRICULTURE

In recent years, a strong interest has developed in population distribution and migration in the United States. It appears to stem from concern over total population growth and concentration, the social and financial problems of large cities, environmental quality issues, and the displacement of many rural and small town people. This statement is intended to describe recent trends in population change in rural and nonmetropolitan areas. It will also show geographic variations in these trends, discuss the relationship of nonagricultural wage and salary job

changes to population changes, detail the number and characteristics of persons of rural origin who now live in the cities, and raise the question of residential preferences of the people. There will be some alternation between the terms rural and nonmetropolitan to conform to available data. The two terms are not synonymous, but are largely overlapping.

From 1960-70, the nonmetropolitan counties of the country grew in population by 6.7 percent, while the metro counties were gaining by 13.6 percent. Since the rates of natural increase in these areas are rather similar, it is quite clear that the nonmetro areas were unable to retain all of their potential growth and exported a sizeable number of people to the metro areas, a net of about 2.4 million outmigrants, in fact. This picture of nonmetropolitan population trends is only meaningful, however, if compared with the previous decade and if examined separately for farm and nonfarm people.

In the 1950's the nonmetro counties grew by just 5.1 percent, while metro areas were increasing by 26.5 percent. Thus during the 1960's, when national and metro population growth slowed considerably, nonmetro growth actually rose somewhat. This rise in nonmetro growth during a period of falling birth rate, reflected a much reduced rate of net outmovement to the metro areas. Although the 2.4 million net loss of people through migration in the 1960's is large in the absolute, it is small relative to the 6.5 million net outpouring of nonmetro people into the metro areas during the 1950's. Given the fact that economic factors are the major cause of nonmetro to metro migration, it seems clear that the relative conditions of the rural and small city areas improved during the decade.

This was not due to any noticeable letup in the migration rate from farms. We estimate that this rate was nearly as high in the 1960's (5.0 percent annually) as in the 1950's (5.3 percent). Nonmetro farm population dropped by nearly 5 million people. If the farm population, with its pronounced downward trend, is subtracted from the total nonmetro population, then one finds that the nonfarm nonmetro population—which comprises the great majority of all nonmetro people—rose by 19 percent in the 1960's. This is a rate of growth exceeding not only the national average, but even the metropolitan average. The heavy decline of farm people has masked from public notice the rapid growth of the nonfarm segment of the rural and small city population.

Because of its long and rapid decline, the farm population now numbers less than 10 million, compared with 30 million 30 years ago. Most of its potential loss has now occurred. It is simply impossible for future outmigration from farms to approach the losses of the recent past. Thus, if nonmetro areas can continue to maintain the conditions that retained and attracted nonfarm people in the 1960's the overall nonmetro population growth will converge further toward the national average as the influence of farm losses diminishes.

If we look at counties by degree of rurality, we find that the completely rural counties of the United States had a small overall loss of people, and that county population growth rates varied directly with proportion of urban population.

But, as unlikely as it may seem at first glance, the growth rate of nonagricultural jobs was actually higher in rural counties than in the urban group during the 1960's, and highest of all in the completely rural group—a pattern just opposite of that of population growth. Rural counties had a growth of 43 percent in nonagricultural wage and salary jobs covered by the OASI system from 1959 to 1969, compared with an average of 34 percent in predominantly urban counties.

This high rural job growth failed to bring much population growth for two reasons. First, the more rural a county, the smaller the proportion of the labor force working in nonagricultural wage and salary jobs tends to be. Thus the recent nonfarm job gains in such counties start from a low base and have been readily offset by declines in farmwork. Secondly, many jobs newly taken by rural residents have been going to women, who were previously underrepresented in the rural labor force. These jobs have raised the incomes of many rural households, but jobs for women do not serve to increase the number of families in an area as increased jobs for men do.

The trends described thus far are national ones. But, I want to give equal emphasis to the point that there is great geographic variation in the population growth pattern of rural or nonmetro areas. About 1,350 counties had such heavy outmigration during the 1960's that they declined in population. Five-sixths of these were rural counties. On the other hand, more than 1,100 rural counties grew. The declining counties are heavily concentrated in the Great Plains and

Corn Belt, the heart of Appalachia, and sections of the Southern Coastal Plain. The great majority of rural counties in the Northeast, and East North Central States and the Far West gained in both the 1950's and 1960's.

The major change during the 1960's was in the turnaround of population from loss to gain in nearly 500 rural counties, mostly in the upland parts of the South. In particular there has been a remarkable recovery in a large area of northern and western Arkansas and eastern Oklahoma, where outmigration was very severe in the preceding 20 years. Here, despite a heritage of below average income and educational attainment, and minimal access to metropolitan-sized centers, various industrial, recreation, and retirement enterprises have expanded to the point that this region ceased to be a source of net outmovement in the 1960's. The lower Tennessee Valley was another area of previously unimpressive socioeconomic status that moved to a position of population growth in the 1960's based on manufacturing.

In contrast to the improved retention of people in the nonmetro South, there were seven contiguous States stretching from Idaho through the Northern Plains to Minnesota and Iowa in which a majority of all counties had net outmigration or decline and a deteriorating ability to retain population.

The South still has some significant Coastal Plain and Appalachian sections where rural population loss is heavy—namely, the Texas Plains, the Mississippi Delta, the Alabama Black Belt, the Southern Coal Fields, and the Flue-Cured Tobacco areas. But by far the most widespread and unremitting rural losses today are from the Northern Plains and Corn Belt. The migrants from these Northern areas generally do not worry the cities. For the most part they are socially invisible and are deemed desirable workers and citizens. It is still possible to get some outside urban support for programs to help retain population in the South on a self-interest basis. But the Plains and Corn Belt outmovement is not generally associated with poverty or ethnic minorities and does not generate much outside concern.

To sum the population change picture for rural or nonmetro areas—it is a decidedly mixed picture. In a way this is regrettable for hardly anyone likes mixed situations. Certainly not the press, the public, or political leaders. Unrelieved trends are so much easier to comprehend or to take a position on. But the truth of the rural nonmetro situation is that it is bad in some areas and not bad in others; worsening in some places but improving in many others. The outmigration to the cities is no longer the major source of urban growth, but is still a significant source.

GROWTH OF SMALL CITIES

In dealing with the development problems of nonmetro areas, the growth center approach has been and continues to be central to the strategy used or urged. But opinions have varied about the feasibility of using nonmetro towns for this purpose. One view has emphasized the diversification of economy and services and the self-sustained growth that characterize centers of 250,000 or more people. But we find that in 1960 over 40 million nonmetro people lived in counties from which less than 5 percent of the workers commuted to any metro destination—central city, suburbs, or outlying ring. This population accounted for $\frac{2}{3}$ of the entire nonmetro population. The economic future of communities from which fewer than 1 worker in 20 commutes to metro areas has to be planned directly and not left to presumed serendipitous benefits from metro development, if it is desirable to avoid continued outmigration from most nonmetro areas.

Consideration of the place of the "small town" in national development is often hampered by the lack of precision of the term and the variation in conceptions of what constitutes a small town. To some the term connotes almost any place of less than metropolitan size. To others a small town is one of the thousands of rural-scale villages, an agricultural service center of 500 to 1,000 or 2,000 people. The distinction is important because the population retention trends of rural-sized towns have been different from those of urban centers of up to 50,000 people. In the 1950's, all classes of nonmetro towns above 5,000 population grew more rapidly than did the Nation as a whole. Only among the rural-sized places was growth at a low level. (We do not have the 1960-70 trends compiled as yet).

The degree of population vitality of the nonmetro urban centers has not been well-understood. They have made their proportionate contribution to absorbing the national population growth. Since the areas surrounding them have often

had a larger and declining agricultural population, this contribution has been hidden in superficial observation of area-wide trends. During the 1950's, about 1.4 percent of national population growth occurred in nonmetro towns of 5,000 to 50,000. This was much more than occurred in the entire urbanized areas of cities of 50,000 to 100,000 people in the same period (about 9 percent.) The small town growth was scattered over very many more places, of course.

In the 1960's, about 200 nonmetro towns of 10,000 to 50,000 population grew in population by 15 percent or more; that is, at a rate clearly above the national average and implying net immigration. Two features that characterize many of them are presence of a State college or university, and location on an interstate highway. About half of them are in the South. These places are not sufficient to serve as growth centers for all of the nonmetro territory that lies beyond commuting distance of larger urban centers, but they can play a very sizeable role.

RESIDENTIAL PREFERENCES

One of the curious aspects of the population distribution issue is the fact that although 70 percent of the people now live in metro areas, a majority claim that they would prefer to live in small towns or rural areas. The Gallup Poll has consistently shown this. Only 44 percent in the 1970 poll preferred cities or suburbs. Another national survey organization found an even greater preference for smaller towns and rural areas in a 1968 poll. The polls that reflect these views leave certain questions unanswered. They do not show us how intensely the views are held, or whether the urban persons holding them are familiar with actual rural and small city conditions or would be willing to accept a financial sacrifice if they moved. Nor do we know adequately what the advantages are that many present urban people think they would obtain in a smaller community. But the present popular attitudes do lend support to efforts to effect some redistribution of people into smaller-scale communities. I doubt that the idea of stemming rural outmigration would be seriously broached if opinion polls showed the proportion of people preferring rural residence to be substantially below the proportion actually living there.

Even the suburbs, whose housing, facilities, and settlement patterns are largely the creation of recent years, show a sizeable fraction of people preferring rural or small town residence (36 percent in the 1966 Gallup Poll). This is considerably higher than the percentage of rural and small town residents who aspire to live in suburbs (about 20 percent).

Perhaps the main attraction that people believe they see in smaller-scale communities is a superior environment in which to rear children. People also seem to be of the opinion that there is less stress and tension in smaller towns and rural areas. These perceived virtues are not likely to retard the outmovement to urban areas of small town and rural youth seeking an education, a job career, or exposure to the urban scene. But they do attract many people at almost any later stage in life.

Few people view small towns and rural areas as offering much economic opportunity for young people, as compared with cities. Although I have stressed that nonmetro employment opportunities have improved, nonmetro income levels continue to be much below those of metro areas. Nonmetro families averaged less than 80 percent as much income in 1968 as metro families, a difference of \$2,000. Indeed, I think it can be said that modern civilization in general has not yet succeeded in making average small town and rural incomes the equal of those in cities.

It is this fact that may be the major argument against efforts to create more dispersal of population. Would substantial redirection of future U.S. growth into nonmetro areas—and even the smaller metro areas, entail a sacrifice in income and level of living? Would it be accompanied by a reduction in the average national access to those services and facilities that metro areas seem to provide?

Rural-urban migrants.—We do not know how many people move annually between rural and urban areas. However, we have recently obtained information on the number and characteristics of urban residents who are of rural origin, and are thus able to compare them with other urban residents or with people still in rural areas. These data were collected in a 1967 national survey by the Bureau of the Census for the Office of Economic Opportunity (OEO). The Economic Research Service, in turn, (in cooperation with the University of Georgia) has prepared tabulations from this file for OEO on rural-urban migration and its relation to poverty.

In 1967 there were 88.5 million urban adults (17 years old and over) in the U.S. Of this number, 18.4 million, or 21 percent, were of rural childhood origin and had moved at least 50 miles in coming to the city. (An additional but unknown number of urban residents originated in rural areas near their 1967 urban homes.) About 16.1 million of the rural-urban migrants were white and 2.1 million were Negro. The proportion of urban Negroes who were of rural migrant origin was only slightly higher than that of whites—23 percent vs. 21 percent. However, whereas $\frac{1}{4}$ of all the urban Negroes of rural origin were living in the central cities of metropolitan areas, only $\frac{1}{8}$ of the migrant whites did so. The majority of rural-urban migrant whites had gone to small cities and to metropolitan suburbs.

The migrants, black or white, did not have as much education on the average as do urban natives, although this difference has narrowed among younger migrants. However, only the white families of rural origin showed less average income than the urban natives (\$7855 vs. \$8557). The median income of the Negro rural-migrant families was almost identical with that of the Negro urban natives (\$5116 vs. \$5105). One factor contributing to this result was that Negro families of rural origin were somewhat more likely to be husband-wife families, than were those headed by urban natives. The husband-wife families had twice the median income of those headed by women.

Some 12 percent of the rural-urban adult migrants had incomes below the poverty level, using the standard Federal definitions, compared with 9.4 percent of the urban natives. Thus, there was somewhat more income poverty among the people of rural origin. All of this difference was in the white population. The Negro migrants of rural origin were no more likely to be in poverty than those of urban origin (26.6 percent vs. 26.9 percent). But urban residents of Negro race were much more likely to be poor than were whites regardless of migration status. Thus, the migration of large numbers of Negro citizens to the cities has added to urban poverty through the high levels of poverty that are still characteristic of the Negro population, but not through any disproportionate incidence of poverty associated with rural origin. In the case of whites, the general incidence of poverty was comparatively low, but the rural-urban migrant was more likely to be poor than the white urban native, by a ratio of about 4:3. Altogether, 25 percent of the adult poor people in cities in 1967 were of rural origin. Rural migrants comprised the largest proportion of urban poverty in the West (40 percent) and the lowest in the Northeast (20 percent).

Information is also available from the same 1967 survey on receipt of public welfare income. About 5.5 percent of urban families headed by a rural migrant reported receiving some money income from public welfare sources in the preceding year. The comparable figure for urban native families was 3.7 percent. Thus, rural-urban migrant families were about 50 percent more likely to have some dependence on public funds. Here again, the principal difference connected with migration was found among whites. Negro urban families were more likely than whites to be partly dependent on welfare, but the proportion of rural origin families who had welfare income was very little higher than that of urban natives (17.6 percent vs. 15.6 percent). Among urban white families of rural origin, the percentage having welfare income was rather low (4.0 percent). But it was sufficiently higher than that of urban natives (2.3 percent) that the rural white migrant families accounted for a third of all urban white families getting welfare income.

Although rural-urban migrants do not differ widely from urban natives on income measures, they appear to be much better off than people still remaining in rural areas. The median income of rural families of rural origin was just \$5378 compared with \$7510 for those who were in cities. In the rural areas about 22 percent of the adults of rural origin were in poverty compared with 12 percent of the rural migrants to the cities. In the case of Negroes, the rural poverty level (57.7 percent) was twice as high as that of black migrants to cities (26.6 percent). The frequency of dependence on welfare income was also somewhat higher in the rural areas, but a smaller percentage of the rural poor families had received welfare income than was true in the cities.

The general picture of rural-urban migration that emerges from this survey, is one in which migrants have substantially higher incomes than do people still in rural areas, and thus apparently have benefitted from the migration in straight dollar income terms. Despite lower average educational achievement than the native urban population, and more recent entry into the local labor market, they

have attained levels of income that are only moderately below the urban average in the case of whites, and equal to the urban average in the case of blacks. These data pertain only to migrants still in the cities when the survey was taken. There are others who have gone to the cities in the past and for one reason or another have returned to the rural environment. Rural migrants do not comprise the majority of the urban adult population, but they do make up a sizeable minority. The permanent addition that they make to the urban population comes not simply from their own movement, but from the increase resulting from their urban-born descendants.

Conclusion.—Nonmetropolitan areas as a whole have experienced net out-migration throughout our modern history. It would appear, however, that if their economic and community problems are given sufficient attention in this decade there is an excellent chance of ending the overall net loss. The net outmovement from them was considerably reduced in the last decade, principally because of the smaller number of people available to be displaced from farms and by improved nonagricultural job development. Some of the job growth was fostered by Federal assistance, but without being the product of a deliberate population distribution policy.

The growth prospects for many nonmetro communities look favorable. But it must be remembered that growth will transform many of them into places of metropolitan size and character. Thus, it is not likely that the proportion of the Nation's people who live in rural areas and small cities can be raised substantially. Implicitly, a policy to foster population retention in communities that are now of nonmetro size is also a policy to develop more small metropolitan areas.

Improvement of conditions in nonmetro areas will reduce but not end the out-movement of large numbers of young adults. Much mobility is a function of a stage of life, being far higher at ages 18 to 25 than at any other period. And in some rural areas, the birth rate is still so high that it puts constant pressure of potential new workers on the supply of jobs. But nonmetro areas can regard their development programs as successful if the flow of movement into them increases at other ages, even if some of younger adults leave through choice.

In the past, many rural people entering the cities have been handicapped by low education and very limited finances. Despite these limitations, they have generally improved their incomes considerably over the average in rural areas and appear to have made employment and income achievements that are as good or better than those of urban natives of comparable age, education, and other characteristics. But the movement of rural people to the cities has added many millions to the already large populations of our major centers. Some of these people come gladly, but others have come from sheer economic necessity who would have preferred to live in smaller-scale communities had the opportunity been available.

(The following material previously referred to was received for the record from the office of Senator Jackson:)

EXHIBIT 6

[An address before the American Public Power Association, 26th Annual Conference, Washington Hilton Hotel, Washington, D.C., May 5, 1969]

RURAL AND URBAN AMERICA: A SEARCH FOR A POLICY

By Senator Henry M. Jackson, Chairman
Senate Interior and Insular Affairs Committee

One of the greatest resource challenges facing our nation today is providing for the tremendous demand for electric energy which is anticipated in the decades ahead. The American Public Power Association and the utilities you represent have important roles in planning to meet that challenge. Consequently, you appreciate better than most the complex problems of projecting future conditions and providing the means to meet future demands.

I am afraid, however, that not everyone associated with resource planning fully understands the great public responsibility involved in power development. Even our most universally agreed upon policies sometimes are violated for expedient or superficial reasons.

I believe a recent example of such a failure is the Administration's reductions in the fiscal year 1970 budget requests for resource development programs. President Johnson's budget request for these programs was very restrictive and well below the amounts recommended by the agencies. The additional recent reductions in some instances present serious risks.

The Bonneville Power Administration, for instance, is a Federal power marketing agency well known to many of you. It currently markets 50 percent of the total energy and provides 80 percent of the transmission for the entire Pacific Northwest region. Bonneville has played a leadership role in regional planning for a power system which is a model of cooperation among Federal agencies and non-Federal public and private utilities.

A recent press release of the Department of the Interior announced the Administration's decision to reduce Bonneville's fiscal year 1970 budget by \$8 million. It also explained with amazing candor some of the consequences to be expected as a result of the reduction. Regarding the delay in one transmission line, I quote the press release:

"This delay will create an extremely serious transmission and power supply condition in northeastern Washington, northern Idaho, and western Montana. Without this line, a fault on the Lower Monumental-Little Goose 500-kv line creates a system condition with resultant loss of generation and cascading outages of interconnected lines and systems."

I need spend no time telling this audience of the tremendous concern throughout the nation about insuring the reliability of power systems. Surely there can be no doubt of the Federal Government's policy to prevent recurrences of massive blackouts such as that of 1965 in the Northeast.

I realize that the statement of the consequences of the budget reduction must have been inadvertently released. But the decision to proceed with the reduction despite the risks was surely deliberate.

I don't know which Administration official decided to take those risks. I don't know what kind of value judgments he based his decision upon. But I am afraid that innumerable decisions of this kind can be made each year and they will not usually be accompanied by a consumer protection warning label as this one was.

The nation's business has become far too complex to proceed on vague understandings of goals and policies. We are going to have to begin to spell out our intentions and our values, to debate them in a public forum, and to insist that they be respected in every government decision and action.

The process of forecasting, predicting, and anticipating future needs, conditions, and demands is not unique to your industry. It is a function which all organizations—governmental and private—must and do perform. How well this process is performed determines the shape of the future.

Today I want to discuss with you some alarming shortcomings which I see in our Government's present system of planning for future needs. While these shortcomings should be of concern to everyone, I think they have special relevance for you, your organization, and the public.

It is a commonplace that "the past is prologue." The past and the present is all that we know and can know. Tomorrow's plans are the product of today's experiences. In some instances we may introduce a little speculation into our projections; we may anticipate a technological breakthrough or a modified rate of growth. But, for the most part, we expect the future to be an extension of past trends—for better or for worse.

Sometimes the future situations which are indicated by known trends are clearly undesirable. But even where this is recognized, our projections nevertheless continue to be accepted. We plan for a future which appears inevitable and undertake actions to accommodate it.

Let me give you an example which is related to resource development and the evolving pattern of urban growth in the United States.

The Federal Water Resources Council, for the purposes of its First Annual Assessment of the nation's water resources had to formulate a number of assumptions. The Council assumed that new industry with attendant supporting services and related population growth will locate in or near existing metropolitan centers. As a result, it projected that in the future a few huge strip cities will include the major portion of the nation's population and economic activity.

Under present Federal policies, the Council had no real alternative to making this last assumption. Past trends indicate that this will happen. The Council's recommendations assume the inevitability of the prediction. As a result, the Council does not recommend that government action be taken to prevent this situation. Quite the contrary. The Council recommends that we work to provide the essential services to facilitate the trend towards megalopolis.

Innumerable other government agencies, utilities, and industries are planning on these same assumptions. Under present laws and policies, they have no choice but to prepare for what is anticipated. Their combined actions and those of industry will surely turn the projections into "self fulfilling prophecies."

But, government *does* have a choice. There is no reason that we have to perpetuate past mistakes; we can establish new policies and new goals. The America of the year 2000 does not of necessity have to consist of strip cities of urban desolation stretching for hundreds of miles.

It is generally agreed that many of our major cities are already becoming un-governable. The problems they face are overwhelming. Two out of every three Americans already live in a metropolitan area. The suburbs are growing five times as fast as the central cities and twice as fast as the population of the country as a whole. The central cities are old, poorly designed for modern traffic and high populations, and marked by decades of expedient adjustments.

In financial terms the depressed areas of metropolitan centers are costly to society. A survey in one city showed that the areas of substandard housing which included 8 percent of the land area and only 20 percent of the population required 50 percent of the city's health services and 51 percent of its police protection.

In social terms the costs are far more significant.

The resident populations of the central cities are made up of the old and the poor. They require greater services, but they pay less taxes.

In the suburbs, the pace of growth is too rapid for adequate services. The trials and frustrations of commuting have become a normal part of American life. In suburban communities, schools are overcrowded. Sewers, water supplies, police and fire protection, roads and other services lag behind the needs. Taxes are soaring to meet future demands and repay past bond issues.

The financial pressures on suburban governments lead them to rezone for high density housing, industry and commerce. As a result, city problems spread out and the attractions of suburban living are lost.

Indications are that by 1985 we must provide for 20 million more households in this country. This is one-third more than we have now.

If past trends continue, most of this growth will be in a few large metropolitan areas. This will increase the already urgent problems of government and the frustrations being experienced by urban residents. And yet, in spite of these grim projections, many Federal and non-Federal entities—including, I am sure, many public utilities—are planning to accommodate and perpetuate this picture of the future. Their efforts, if not given new direction and new goals, will no doubt help to bring this picture into being.

I don't mean to be critical of the efforts of the individual planning entities. Each of these organizations must carry out its commitment to provide for the future as it expects it to occur. None of them, at present, has either a mandate to plan for or a capability to shape the future as we might desire it to be.

I am, however, critical of government's failure to have a considered national policy on urban and rural growth. We are fast becoming a nation of pragmatists in the worst sense of the word. We accommodate; we compromise; we too readily accept the conditions and the forces we find around us. As a nation we seem to be losing our capacity to dream of a better America and a better world. The idealism, the picture of a better way of life which propelled the public power movement in its infancy needs to be rekindled.

The REA movement and the "preference clause" in Federal law represent successful efforts on behalf of legislators and the public to place a better life within the reach of all Americans. We need more of this idealism in our planning to meet future needs.

We need to redefine our national goals, policies, and priorities. And in light of that redefinition, we need to structure legislation which will permit these goals to be attained.

It is clear that our national goals and policies should *not* perpetuate crowding, poverty, social unrest, increasing crime and disorder, air and water pollution,

and a loss of open spaces and recreational opportunity. Nevertheless, these conditions exist and are becoming increasingly critical.

Our economic expansion and the vast capacity of modern technology contributed to the severity of many of these problems. But modern technology and economic strength also present us with tools to shape the future as we would like it to be. It is time—it is past time—that we get about the task of deciding how to use these tools; we must decide what we want this nation to look like in the year 2000. We have the capability to create the environment and the conditions which meet our desires.

As some of you may be aware, I have been working for legislation to establish a national policy for the environment and a Council of Environmental Advisors to insure its success. I think a national policy is necessary to give direction to the management and development of our great natural resources and our environment. I also think a national policy on urban and rural growth is necessary if we are to deal with the human and the social problems we face.

The large metropolitan areas of the nation were shaped, in part, by natural necessity. Convenient water routes for commerce, the best railroad and highway locations, coal deposits, water resources, and climate dictated the areas of population growth. New industries, located where services and a labor force were available, and more people migrated there to find employment. A cycle began and it has not stopped.

Today we no longer need be dependent upon the accidents of nature. We can construct roads and airports where we want them to be. Many new industries require little in bulk raw materials. Communications bring the most remote location into instant contact with metropolitan centers.

I intend to introduce legislation in the near future which is designed to alleviate many of our critical urban problems by creating new opportunities for growth in rural America. This legislation will provide for a comprehensive and detailed feasibility study of the potential for creating totally new towns and for revitalizing and breathing new economic life into many of the existing communities in rural America.

As presently envisioned, the measure will establish a task force made up of Federal agencies which have programs that could be made relevant to the creation of new rural growth opportunities.

The task force would select sites based on compatibility with water resources, outdoor recreational opportunities, regional growth patterns and industrial and commercial opportunities. Because of the necessity for a secure employment base, prime consideration would probably be given to sites where multi-purpose water resource developments exist or can be built.

Many of the programs which can assist in shaping the future we desire are already established. Much of the expertise is available in existing agencies. What is lacking is a coordinating force and a policy to bring these conditions together and to give them direction. We already have programs in the Department of Interior, HUD, Transportation, and others which offer assistance to communities. Advice, loans, and grants are available for planning, housing, and nearly all utilities.

But these programs cannot now be brought to bear without coordination and without direction. Many of them are presently hampered by restrictions or requirements in the authorizing legislation.

The bill will provide for the selection of several potential sites for new towns and revitalized community development in a variety of situations. It will call for a report to the President and the Congress evaluating the feasibility of new developments; suggesting the appropriate roles of the agencies, States and industry; and stating what legislative action in the form of incentive and new authority will be required.

The States will be particularly important to the success of any effort to create new opportunities for growth in rural America. State government and, by delegation, local governments control the land. They have the powers to zone, tax, buy, and sell. At present, most State governments are not playing the role they should in shaping future development.

An effort will be needed to bring both the States and private industry into the planning effort; to encourage them to reorganize their institutions and update their policies; and to enlist their aid. The organizations you represent can be instrumental in this effort.

I am hopeful that the study I am proposing will focus the attention and competence of all of these parties on the opportunities which exist to create new

means for accommodating population growth in America. When the study is available, I hope it will encourage the President and the Congress to initiate a vigorous program designed to allow every American the choice of living and raising a family in an area that is free of the social tensions, the congestion and the hopelessness that pervade many of our major cities.

Today many Americans do not have that choice. A recent Gallup Poll reported that 87% of the residents of our nation's major cities would rather live in rural areas or small cities if they had a choice. They do not have a choice. They must live where there is employment and where needed community services are available.

Many existing Federal agencies and programs could be made more relevant to national needs if a part of their missions included the creation of new rural growth opportunities. Older agencies such as the Bureau of Reclamation or the Corps of Engineers which have unique planning, technical, and construction management capabilities could make very meaningful contributions if an important aspect of their mandate included providing an energy base, a water supply, and a recreational reservoir for new towns and for revitalized rural communities.

The country faces a real crisis in the location of large fossil fuel and nuclear powerplants which will be needed in coming decades. The siting of these powerplants is a matter of controversy in many areas of the nation. We must take advantage of the opportunity to turn these problems to advantage. When a site is selected, the maximum benefit must be gained from its use.

A large powerplant could provide a significant economic base for a new town or an economically depressed community. Consider the possibilities of combining powerplant construction and a Federal water resource project with proper planning, appropriate transportation connections, and financial assistance for housing, community facilities, and other needs. Consider the further potential of prearranged industrial development.

Small cities can be created on the public land and throughout the rural countryside and beyond the sphere of established metropolitan areas. Such cities, if properly designed, can provide the American people a wide choice of living style. They can provide varieties of jobs and business opportunities for our young people which are now only available in the city. They can ease the pressures of expansion while the older, larger cities find solutions to the unprecedented problems they already face.

We have the tools to create new cities. In the West, we have already done so. Phoenix, Ariz., and Grand Junction, Colo., owe their existence to a great extent to the combined effect of Federal water resource projects and transportation routes. Many other communities have grown up around Federal hydroelectric, irrigation, and flood control projects. But, in most cases, that effect was not part of the project plan. Perhaps in the future it should be.

It has long been my view that our present conception of the Federal public works program has been too limited. Properly designed, these programs can be relevant to dealing with many of the critical problems of our urban areas. They can and they should be allowed to make the contribution they are capable of.

There have, of course, been attempts to create new towns before. The government has in a very limited way been involved in some of these efforts. Deliberate government-sponsored ventures have, however, been single-purpose and narrow in concept. They have been subservient to the accomplishment of other objectives, and they have met with no outstanding success.

More recent ventures have been private developments with a profit motive. Many of these have encountered land acquisition problems and difficulties in financing the needed community services years ahead of developing sources of revenue. A properly designed program of Federal and State assistance and involvement could help to overcome many of these problems.

I am not discouraged by past results. We have not had modern technology before. We have not had enlightened Federal-State-Industry cooperation before. We have not had the concepts and the programs for community aid before. Above all, we have not, as a nation, recognized the urgency before.

I invite your participation and your assistance as this effort proceeds. I respect your experience with the problems of community growth. If you and others who are the planners and the builders of our society will join in the effort, we can make progress.

We can shape a better future for present and future generations.

EXHIBIT 7

[An address before the National Reclamation Association, Spokane, Wash.,
October 24, 1969]

RECLAMATION AND A NATIONAL RURAL AND URBAN GROWTH POLICY

By Senator Henry M. Jackson, Chairman, Senate Interior and Insular
Affairs Committee

We live today in a decade of social upheaval. We are seeing the traditional fabric and the basic values of our society challenged on many fronts—in our universities, in our cities, and in our governmental programs. No institution has been immune, and this includes Federal water resource programs and policies. As a lawyer and as a member of Congress, I welcome this challenge and the posing of new questions. Our democratic form of government and our legal system were designed to make change—orderly, reasoned change—possible.

Today's period of social upheaval, however, has been marked by conflict and controversy. Rather than orderly, representative change we have too often seen tyranny by minorities. We have seen leadership and institutions founder in the face of threats and illegal force.

The excess of emotion and the spontaneous idealism which directs the actions of many in America today has led to a dangerous preoccupation with our national shortcomings. Much of the loud criticism of recent years has been marked by a lack of historical perspective. Too few of the contemporary critics have bothered to read the record of achievement we have made and are continuing to make in this Nation.

Speaking for myself, I know of no success story comparable to our country's 200-year history. We have built a small agrarian society into the world's greatest power. Since 1820, we have provided homes and opportunities for 45 million immigrants and their descendants. We have provided all of our people with constantly increasing standards of living. Every index, whether it be the quality or quantity of food, housing, education, recreation, leisure time, or material wealth has shown increase after increase.

The "poverty income levels" we recognize in America are above the average income of all families in the Soviet Union. They are above the income of over 90 percent of the world's population.

This is a story no American need to be ashamed of.

Recognition of all that we have accomplished is not, however, to say that our society does not have its shortcomings. Recognition and appreciation of what we have achieved in the past is not an argument for preservation of the status quo or for "business as usual." Shortcomings must be corrected. Institutions must be revitalized. New legislation must be written.

In dealing with change, however, we must be watchful that we build upon—and do not destroy or ignore—traditional policies and programs which have withstood the hard test of experience and have made possible the quality of life and the opportunities we enjoy today.

Many of you here in Spokane this week had an opportunity to see firsthand in Grand Coulee Dam and in the Columbia Basin Project a splendid example of the contributions which the Federal Reclamation Program has made to our national well-being. This picture of regional growth, vitality and new opportunity is repeated many times throughout the entire West. Rural and urban communities have grown and prospered on the impetus provided by Reclamation projects and other Federal programs which assist in the development and management of the Nation's water resources.

It is my view that the Reclamation program provides a body of successful experience and a basis on which to build in dealing with the forces of social change and in resolving many of the problems the country faces.

And make no mistake about it, we face some very critical domestic problems: Providing housing, schools and other public facilities for our burgeoning population; creating new job opportunities; maintaining the quality of our environment; and improving standards of living for all Americans are just a few.

The list could be lengthened at will, but the central issue we face as we enter the decade of the 1970's involves our cities. It is generally agreed that our major

cities are becoming ungovernable. The problems they face are overwhelming, and they grow worse with every passing day.

In 1970, when the first census was taken, 95 percent of our population lived in rural areas. Today only 10.5 million—less than 5 percent—remain. At the present time, 70 percent of our population is crowded onto 1 percent of the land. And the rural to urban shift is still gaining momentum.

Today over two-thirds of the American people live in some 230 metropolitan areas. If past trends continue the next 100 million Americans will also live—whether they want to or not—in one of these already overburdened cities and compound the problems of crowding and congestion.

A look at the future indicates that unless some fundamental changes are made, and made soon, these problems will grow even worse.

In the next 30 years our population will rise from slightly over 200 million to well in excess of 300 million.

By 1985 we must provide for 20 million more households, a full one-third more than we have now.

By the end of the century we must more than double the physical plant of all our cities; this means the construction of a new house, school, hospital, highway, and university for every one that now exists.

We will be called upon to do in 30 years what our forebears did in 300 years.

It is obvious that the most urgent domestic problem we face in the last one-third of the 20th century is preparing for and accommodating growth. This will require innovation because our existing cities simply cannot continue to absorb more and more people. At the present time many are unable to provide even the most basic public services and amenities that people desire and require.

It is clear that present trends must be reversed. We can no longer continue to ignore growth patterns which threaten to disrupt and cripple the ability of metropolitan areas to provide good government and a decent place to raise a family.

As some of you may be aware, I am having legislation drafted for introduction early next year which will declare that the establishment of new towns and the revitalization of existing communities is a major objective of our national domestic policy. This legislation will provide an alternative to continued, haphazard urban sprawl and growth.

The reclamation program will have a key role to play in the implementation of this legislation. The basic underpinning and the catalyst in the development of any new town or community is water. The reclamation program will be used to see that municipal and industrial water needs as well as the growing needs of irrigated agriculture are met in planning and developing new rural growth centers.

The goals of the reclamation program are and always have been to upgrade the quality of rural life, and to create new opportunity in the form of new farms, new communities and new cities. Attainment of these goals is not measured by net farm income alone, although this may serve as a partial indicator. Reclamation's goals are measured by consolidated schools, paved roads, new homes, rural community hospitals and libraries, and all of the amenities that a sound and stable economy brings.

This is a story which needs telling. The National Water Commission, the Water Resources Council, the present Administration, and the American people must be shown that the objectives of the Reclamation program center on the accomplishment of important social purposes which are relevant to the resolution of today's most critical domestic problems.

Making the reclamation program relevant to the Nation's pressing domestic problems will not require massive changes in the program. It will require only minor adjustments coupled with a major job of making clear to the public, the Congress and the Administration what the Federal water resource programs have done in the development of this country and what they can do in the future. When this is done, I am confident that the Administration's policy of "no new starts," the policy of "cut back and defer" will be reversed. When the Administration is made to see the direct relationship between the development of new towns and the resolution of the cascading social and financial problems of existing metropolitan areas, a new flow of manpower and appropriations to the reclamation program will take place.

New towns can be created on the public lands and small communities can be revitalized throughout the rural countryside. If properly planned and designed,

We have the tools to create new towns. In the West, we have already done so. Phoenix, Ariz., and Grand Junction, Colo., owe their existence to a great extent to the effect of reclamation projects. Many other communities have grown up around Federal hydroelectric, irrigation, and flood control projects. But, in most cases, that effect was not part of the project plan. It is my judgment that in the future it should be.

These figures point up the urgent need to act and to act now in implementing policies which will move new industrial capacity and output to rural growth centers and away from megalopolis. This can be done if Government has the foresight and the wisdom to provide the water supply and other essential services necessary for rural growth centers.

Many of the programs which could be of assistance in developing rural growth centers and in making the Reclamation program a priority matter on the Nation's agenda are already in existence. For example, we already have Federal programs which offer assistance for local and rural development. Advice, loans, and grants are available for planning, housing, and nearly all utilities. The only real gap in the program is that the necessary expertise cannot be brought to bear with-

Our past conception of the reclamation program has often been too limited. We have failed to see and to build upon its relevance for dealing with urgent national domestic problems. You and I, as supporters of reclamation have spent too much time in recent years on the defensive.

I propose that we turn this around and take the offensive; that we act instead of reacting.

I invite your participation and your assistance in the effort. I respect your experience with the problems of community growth and your capacity for leadership. If you and others who are the planners and the builders of our society will lend your support, we can make a better America.

Wednesday, April 28, 1971, at 10:30 a.m.

REVITALIZATION OF RURAL AND OTHER ECONOMICALLY DISTRESSED AREAS

WEDNESDAY, APRIL 28, 1971

U.S. SENATE,
COMMITTEE ON GOVERNMENT OPERATIONS,
Washington, D.C.

The committee met, pursuant to recess, at 10:40 a.m., in room 3302, New Senate Office Building, Senator John L. McClellan (chairman) presiding.

Present: Senators McClellan, Chiles, and Percy.

Also present: James R. Calloway, chief counsel and staff director; Jay E. Gooselaw, assistant chief clerk; Thomas M. Gunn, and S. Arnold Smith, professional staff members; and Elly Hilz, secretary.

The CHAIRMAN. The committee will come to order.

We were delayed this morning by reason of having to appear before the Rules Committee and testify in support of a resolution which this committee had authorized.

There have been one or two other Senators, I understand, in the committee room—Senator Chiles, who was here and had to leave; Senator Bellmon also was here for the purpose of making a statement and to give us the benefit of his views.

I see Senator Bellmon has again entered the room. Please come up here, Senator. I am sorry I was not here a little while ago. We were delayed in opening the hearings because I had to be at the Rules Committee.

We will now proceed.

Senator BELLMON. Mr. Chairman, I do not know that I should take the time of the committee. I can ask that the statement be filed for the record.

The CHAIRMAN. The statement will be filed for the record. We are glad to have you and may add whatever comment you wish.

TESTIMONY OF HON. HENRY BELLMON, U.S. SENATOR FROM THE STATE OF OKLAHOMA

Senator BELLMON. Mr. Chairman, I want to compliment you as the author of this legislation, because I feel you have put your finger on one of the most important issues facing the country at the present time and had some of the thinking you have displayed in this legislation been made Government policy in the past years, we could have avoided a lot of the serious problems we have facing us now. I happened to see in last night's paper—I am not sure anyone else noticed it—a story on the front page of the Washington Star. I would

like to read a couple of paragraphs from it. The story is entitled "Business is a Gas." It tells about a young man whose name is Green who has started a service station at 14th and Irving Street, NW. It says he is one of 11 children who grew up on a farm. Here is what he says:

I hope I can go back to South Carolina and buy myself a little place. Do a little fishing and hunting * * * You know, South Carolina kind of stays with you. It's not a bad place, like some southern States. The people—black and white—are pretty decent. But I couldn't make a living down there.

So I'm pumping gas, running the kids out of here all the time, and trying to keep the tools from being stolen. An air-powered wrench got up and walked out of here last week.

To me this is very typical of what happens. Here are a lot of rural people who would like to stay out in rural areas where they can do a little hunting and fishing, but they can't make a living out there, so they wind up coming to the cities and getting jammed together in circumstances that make it impossible to live the quality of life that all of us like and deserve.

The CHAIRMAN. Senator, do you not think that illustration can be multiplied hundreds of thousands of times?

Senator BELLMON. Millions of times, right. One of the greatest culprits is our own Government. We right here in Washington have clustered together a tremendous number of job opportunities that could just as well be located in some of these rural areas where we would not have the problems of congestion, crime, and pollution that we actually have caused. So I believe the bill you have introduced, which I am proud to be a coauthor of, is a major step in the right direction. Again, I would like to compliment you and I would just like to leave my statement to be printed at this point.

The CHAIRMAN. Thank you, Senator. We are proud to have you cosponsor this bill.

I am becoming convinced that a large majority of the Senators are in agreement that this bill, while not perfect, takes a long step in the direction of bringing about a reversal of those unfortunate trends that have contributed to the distressing conditions that exist today in the metropolitan centers of our country. I think the Government has a role to play in this, a very vital role to play, in encouraging industry now, as it expands, to go to the rural, less populated areas of our country. Such industrial development should revitalize these rural communities by providing jobs out there to keep people like the gas station attendant that Senator Bellmon just mentioned from having to leave to try to find a job. As for the rural atmosphere, its air is pure, its water is pure, the whole climate of living is more pleasant out in these rural sections. We know that a lot of the people come to the city out of compulsion. They have no alternative. They have to go somewhere to find a way to live. We can reverse this trend; arrest what is happening with a little Government assistance. We already have the agencies, as I see it, to carry out the necessary programs. We are appropriating money. We may have to appropriate more money, but we already have the agencies. They may need some coordination in their administration of these functions, but we have the agencies now to give aid to communities to help them provide the water facili-

ties, the school facilities and access roads, the housing and additional hospital space that may be needed to facilitate industry. We have all these agencies. It is a matter of setting a national policy, whereby we will help local communities meet their obligations to make it possible for industry to be developed.

Senator BELLMON. I agree with you.

The CHAIRMAN. Senator, we are proud to have you as a cosponsor of this bill.

Off the record.

(Off-the-record discussion.)

Senator BELLMON. Mr. Chairman, I might say that the Agriculture Committee, chaired by Senator Talmadge, has set up a special Subcommittee on Rural Development. As far as I know, this is the first time this has been done. The subcommittee is chaired by Senator Humphrey. That subcommittee is holding hearings not on this legislation but on the concept of rural development. The first hearing will be held next Friday in Sioux City, Iowa. Then other hearings will be held in other parts of the country. I would agree with you that taking this to the country may help get the ideas needed to solve the problem and secondly give us some ideas as to how we go about it.

The CHAIRMAN. We have the vehicle here.

We can concentrate on this approach of having Government establish a national policy to specifically try to help the local community meet its needs to bring in industry. I have no objection to Senator Humphrey's subcommittee hearings—in fact, he is a member of our committee, and a cosponsor of this bill. But I do feel that since S. 10 tries to reach the problem, it would be well to have a few hearings around the country and give people who would never come to Washington, an opportunity to tell us what the problem is.

Thank you, Senator. I appreciate your coming and giving us your testimony this morning.

PREPARED STATEMENT OF SENATOR HENRY BELLMON

Mr. Chairman: Senate Bill 10 may be one of the most important pieces of legislation of the current session, because it seeks to establish a national policy that will guide this nation's rapid future growth into areas that will profit from growth rather than suffer from it.

We need only to look out the windows of this building to see an example of the plight of all our major cities today; too many people in too many cars; too many people in inadequate housing; too many children whose playgrounds are sidewalks; too many elbows rubbing together kindling sparks that too often flare into violence and crime.

The paradox is that there are vast expanses of undeveloped open spaces across our country which have abundant life support elements available to accommodate greater population. Yet our population continues to be attracted to urban centers, despite the tensions and traffic, crime, and pollution. In rural America is the potential for greater quality life. But that potential remains untapped for lack of one element: economic opportunity, or to put it more plainly—jobs.

In the *Washington Star*, of Tuesday, April 27, 1971, a story entitled, "Business Is a Gas" which eloquently points up the dilemma of many misplaced rural people who are today jammed into our cities against their will. The story says in part, "Green—is one of 11 children who grew up on a farm." "I hope I can go back to South Carolina and buy myself a little place. Do a little fishing and hunting," he mused.

"You know, South Carolina kind of stays with you. It's not a bad place, like some Southern states. The people—black and white—are pretty decent. But I couldn't make a living down there."

"So I'm pumping gas, running the kids out of here all the time, and trying to keep the tools from being stolen. An air-powered wrench got up and walked out of here last week." Mr. Chairman, this is typical of experiences of farm people throughout the country.

In my home state of Oklahoma small farmers are moving to the cities because the income derived from the land is not enough to adequately support an average family, unless there is off-the-farm income. Oklahoma's 106,000 farms in 1960 have dwindled 90,000. Nationwide there are 50 percent fewer people living on farms today than there were 20 years ago, even though the Nation's population has increased by nearly 33 percent in the same period.

We can't expect people to stay on the farm when they can look to the city and see opportunities for greater prosperity. Even though the average income for farmers is swelled by the earnings of our Nation's lucky few whose special circumstances have enabled them to enjoy good incomes. The average farm household income today is \$2,405 less than income for non-farm households. Oklahoma farmers who invest an average \$85,000 in their operations net an average \$2,800 annual income. This is less than a 4% return on investment with nothing for labor income.

The potential quality of rural life will not be realized unless we develop a program to encourage better agricultural incomes and make available more sources of off-the-farm income outside urban areas. As the situation now stands, most farmers who can't make an adequate living have no opportunity to take on additional work, because no other type of work is available. And in too many instances, farm families live in poverty because the head of the household is not trained for any other type of work. At the same time, the problems of the cities are not going to be solved, they are going to get worse, unless we develop programs to more evenly distribute our population. To do that we must redistribute economic opportunities.

I am proud to be a co-sponsor of Senate bill 10 because it provides that redistribution of economic opportunities will be a matter of national policy. Such a policy will be the key to the success of specific programs of rural development. People go where jobs are available and salaries are good. And where people go there naturally follows development of housing, water and sewer facilities, and better transportation, telephone and electric systems. Such systems will not be developed unless there is sufficient population to support them.

S. 10 provides in section 2 some guidelines for attracting new industries to rural areas. The provisions call for preference in the awarding of Government contracts to industries which locate in areas of low concentration of population and for development of federal manpower programs to provide a trained work force for industries in those areas.

I support these incentives; without them industrial development will not take place and urban dwellers will not be attracted to rural locations. But I would suggest to this subcommittee that it amend S. 10 to include, as part of a national policy for rural revitalization, development of programs which will lead to greater agricultural prosperity and further slow down the rural exodus.

Farm incomes can be improved in two ways: Reduce production costs or improve selling prices of farm commodities. The average Oklahoma farmer grosses more than \$12,000 a year, but he nets only \$2,800, meaning about $\frac{1}{4}$ of his income goes for production expenses.

We can help farmers cut down on production costs and increase net income by developing programs to encourage processing of farm produced raw materials closer to the farms where they are produced. This will improve the rural economy by providing better prices and increasing the number of off-farm jobs and income. There is no reason for instance, why meat processing and breaking plants cannot operate close to livestock producing areas.

We need also to support substantial investments by the Federal Government in pest control research in order to save millions of agricultural dollars lost every year when crops are destroyed by a variety of costly pests. And we need to create an effective disaster relief program complimented by a workable plan of crop insurance. Stabilizing the farm economy will further prevent an out-migration from rural areas.

If our national policy for rural development is one that encompasses economic incentives for both industry and agriculture, we can achieve the desired redistribution of our population. A Gallup poll conducted in 1966 showed that 50 percent of our population preferred to live in cities or suburbs and 49 percent

would live in small towns or on farms if economic considerations were not a factor in their choice of location. Such a percentage distribution of our population is an ideal, but one that is attainable if the policy of our Federal government is to invest more dollars in constructive comprehensive programs rather than in narrow stop-gap measures.

We can achieve a far greater quality of life in both town and country by enlarging upon and adopting the policy set forth in S. 10. Such a policy will be the basis for a better tomorrow for all Americans.

EXHIBIT 8

[Article, *The Washington Star*, Apr. 27, 1971]

BUSINESS IS A GAS

(By Jack Kneece)

*Copyrighted material
deleted*

The CHAIRMAN. Our next witness this morning is Mr. Eugene F. Mooney, professor of law, University of Kentucky, who is also a consultant on rural development. Mr. Mooney has worked in the private sector with our rural programs while attempting to bring local

investors, planners, and town officials together to achieve new industrial development in rural communities.

As a "packager" or "rural developer," Mr. Mooney is uniquely qualified, I think, to comment upon the validity and practicability of this proposed legislation. He is familiar with and should be able to tell us about the utility and effectiveness of Federal rural programming and to make recommendations in this field. We expect Mr. Mooney to provide insight into how we can make S. 10 work, make it function, to the end that it will bring about a revitalization or contribute materially to a revitalization of the rural sections of our country.

Professor Mooney, I welcome you this morning; you may proceed.

Do you have a prepared statement?

**TESTIMONY OF EUGENE F. MOONEY, PROFESSOR OF LAW,
UNIVERSITY OF KENTUCKY, AND CONSULTANT ON RURAL
DEVELOPMENT**

Mr. MOONEY. Thank you, Mr. Chairman.

Yes, I do have a prepared statement. However, I would prefer, if it meets with your approval, to talk generally about the matter and allow the printed statement simply to be included in the record.

The CHAIRMAN. Your formal statement, Professor Mooney, will be printed in the record at conclusion of your remarks.

You may proceed in your own way, Professor Mooney, to highlight it or make comments on this pending legislation.

Mr. MOONEY. Thank you very much, Mr. Chairman. I am a professor of law at the University of Kentucky, but relevant to this discussion is the fact that I was born in a rural area in Mississippi and grew up in a rural area in the chairman's home State of Arkansas.

The CHAIRMAN. Are you an Arkansan?

Mr. MOONEY. Yes, sir.

The CHAIRMAN. Congratulations.

Mr. MOONEY. There are a few of us around. I happen to be around the rural area of Kentucky now. For at least the past 15 years, I have been interested or involved in one capacity or another in rural economic development. Indeed, one of my earliest ventures in this particular regard came as a then young law professor at the University of Arkansas Law School when I tried to persuade the good citizens of Newton County to use the then new Area Redevelopment Act in order to provide some rational commercial recreational development for the Buffalo River. They opted instead for a water system for the town of Jasper, Ark., and I suspect that may have been a better decision at that time.

As a rural economic development consultant, if that is the appropriate phrase, I persevered through the Eisenhower era of the Area Redevelopment Act and the Small Business Act of 1958, the war on poverty with its programs and new agencies, and now find myself engaged with the new Federal antipollution agencies. In all these eras, I have attempted to utilize the programs and the agencies created and funded

and, to some extent or another, aimed at rural economic development, and I have tried to find ways in which that could be done.

My career, however, in this particular regard; however long it may have been, is both unspectacular and somewhat frustrated, for whatever may have been the purport of not only the policy and the rhetoric and the programs of those eras, to the extent that they attempted or intended to affect rural economic development, they did so only sporadically and I would say ineffectively in a great many ways and for a variety of reasons.

Consequently, I am very happy and personally gratified, to be permitted to express my views on S. 10 at this particular time and I am going to read the opening paragraph of my printed statement in order that I can underscore at the outset my support for it.

In my opinion, there should be no higher priority domestic policy than one calling for revitalization of economically distressed areas of this country by means of economic development. The need for such a national policy has long been evidenced not only to me but I should suspect to everyone in this country.

Pronouncement of this policy by Congress would clarify these goals. Effective implementation of such a policy would promise to relieve many otherwise intractable social problems.

Policies favoring rural economic development are obviously preferable to those more narrowly framed in terms of coerced redistribution, public subsidy, or flat prohibitions. Conscious use of economic incentives to effect a national demographic policy by creating a broader spectrum for the exercise of personal economic choices is in the highest tradition of our society. Further, our national experience suggests that such rational policies, emphasizing persuasion instead of coercion and individual determinations of personal welfare, are both more efficient and more palatable to our people.

I unequivocally support the policy of Senate bill 10 and urge this committee and the Congress to promulgate it and implement it promptly.

So much for the opening paragraph of my statement. The remainder of the statement itself is episodic and in some measure relates some of the sad stories of my experience in attempting to effect rural economic development over the past.

The main thrust of my statement before this committee relates to section 2(b) of S. 10, which essentially enacts the implementation program, calling for all Federal agencies to administer the programs they are now administering or their future grant-in-aid programs in order to effect the policy of S. 10. The bill then presupposes that the policy itself will be worked out through the present Federal programs and the present Federal agency structure. However, the capability, the willingness, of the Federal establishment as presently configured to carry out effectively a national policy of revitalization of rural areas through economic development is, in my judgment, questionable. My own study, personal observations, and experiences with the organic laws and the agencies charged with responsibility in the past to effect rural economic development, leaves me somewhat less than confident that they can effect the impact, the degree of internal coordination of

their own efforts, or Federal cooperation with outside efforts in order to effect economic development in the magnitude, in the direction, in the scope as to make a measureable impact on the Nation's social problems as envisioned not only by the S. 10 policy, but by the chairman's opening statement.

Consequently, the printed statement that will be included in the record does little more than relate in an episodic fashion some of the experiences which led me to that rather pessimistic conclusion. I think the statement will reflect that over the years, I have learned three basic lessons about this problem of rural economic development being affected by Federal agencies. Those three lessons are:

First. The benefits of public investment, like private investment, can be maximized, or wasted, if someone is not careful.

Second. Planning districts come in all sizes, shapes, and colors, but they all exist to plan and none exist to implement economic development.

Finally, capital is the root of all economic development and the lack of local development capital is what causes economic stagnation in rural areas.

SMALL COMMUNITIES LACK CAPITAL

The CHAIRMAN. You say lack of capital?

Mr. MOONEY. I mean the lack of economic development capital.

The CHAIRMAN. It is not lack of capital on the part of industry. The lack of capital is on the part of revenues available to the local community.

Mr. MOONEY. Yes, sir.

The CHAIRMAN (continuing). To provide those facilities that industry must have if it is to locate there.

Mr. MOONEY. The capital, I suggest, Mr. Chairman, is there. It just does not happen to be utilizable in the right way.

The CHAIRMAN. Off the record.

(Off the record discussion.)

Mr. MOONEY. I would like to examine for a moment what the chairman appears to be interested in a little further—this idea of capital. In the words of economists, and considering the Nation as a whole, adequate development capital is around somewhere. The question is whether or not it is in the right place and being devoted to the right purpose. It seems to me, and I state on page 5 of my statement, that there is no doubt in my mind, at least, that the most powerful rural economic development force currently operating in our country is the Federal Government's large expenditures in the form of Interstate Highway Systems, public power dams and recreation facilities, military installations, such giant expenditures that they make a tremendous impact on the localities they affect. The most pointed one of its kind today is the Federal Interstate Highway System and the creation of enormous economic opportunities, not only in the cities which are interconnected, but in the rural areas through which these interstate highways cut. But my rule, my little lesson that I learned, was that the benefits of Federal public investment can be wasted if someone is not careful, and my example comes again from the chairman's home State of Arkansas.

The first job I ever had was in 1944 under a special work permit to work on the construction of Norfolk Dam, located near Mountain Home, Ark., a Federal multipurpose dam. The Corps of Engineers purchased every inch of the shoreline of the reservoir, 90 miles long, that backed up behind that dam, for several miles back from the shoreline, at no point nearer than a quarter of a mile to it.

For a decade, that land was unavailable for any commercial development because at that time, the Corps of Engineers not only did not use the concept of recreational benefits in computing the feasibility of the project, they did not have any plans for the commercial or economic development of even the land that they themselves controlled. Thus the economic development of my home county, Baxter County, and the surrounding counties affected by that large reservoir, was stagnated for 10 years until the Corps changed its internal policies, began making land available under controlled circumstances for development. The chairman will note that the demographic studies expert who testified yesterday gave you some maps which will show that Baxter County, my home county, has grown steadily in population, per capita income, and all those parameters since about 1960 and the motive force behind that is the economic and commercial development of the recreational facilities constructed by the Corps of Engineers in the form of Norfolk Dam, Table Rock Dam, Bull Shoals Dam, all within a few miles of Mountain Home, but only after the Corps of Engineers would permit local commercial and economic development of sites.

The CHAIRMAN. We have that problem at some other dams also, don't we?
Mr. MOONERV. Yes, sir.

The CHAIRMAN. If these sites could be opened so local interests and homebuilders can live in those areas, that would add a great deal.

But the overall problem and objectives of S. 10 are much broader than that. We know this country is going to grow. We know industry is going to expand. We know we have to have more production in many areas in order to meet the needs of our increasing population. Plants are going to have to be built somewhere. My theory is, as this industrial expansion takes place, Government should encourage—not compel or force—but encourage industry which would like to locate out in these rural areas by giving assistance to communities so they can meet their requirements as industry comes in. It is pretty simple.

This thing does not have to be complicated. That is what gives me concern. The concept is so simple, I am afraid somebody will try to entangle it in a lot of requirements and theories and so forth that will hinder rather than help.

This thing is as simple as this: I have an industry. I want to build a plant. The demand for my product requires expansion. I have a plant in a congested area. However, the parts or components of my product that are going to be needed can be produced in a plant away from my parent one. I can put it in a rural area where it will not cause congestion and crowding; where people can live, can have jobs and opportunities without having to move to the congested areas where I

might normally build this plant. If Government would simply help the local community with housing, schools, hospitals, water and sewer facilities, access roads, my entry into this rural area would be facilitated.

FEDERAL ASSISTANCE NEEDED NOW

We have the Federal programs to make this assistance possible now. All we have to do is concentrate our efforts, provide some preferences, perhaps even appropriate more money in some instances. But the Federal Government can now say to industry, if you go out and select a site in a rural area, where population has been migrating away, we will help the local community provide the facilities you need. A national policy like that will work, and should help to reverse the present trends that are causing congestion, overcrowding and pollution, the high crime rate and so forth, in our compacted metropolitan areas.

Mr. MOONEY. I would like to follow up on that.

The CHAIRMAN. Please proceed.

Mr. MOONEY. I would like to take a typical example of exactly what the chairman is talking about, a specific town which attempted to get a \$1 million sewer and water system in anticipation of their economic expansion, which was then just over the horizon. Now, there may be such things as smokeless industrial plants but there are no such things as waterless industrial plants. They all need a water system.

This little town needed a \$1 million water system. Federal matching grant formulas would have paid a half million dollars—50 percent. The little town's bonded indebtedness was \$200,000. It could sell its bonds for these purposes up to \$200,000. The question then arose, where does it find the other \$300,000?

The industry that wanted to come in was not going to donate it. Private citizens did not have that kind of money around there. There was no State-funding arrangements to pick up that \$300,000. It then became critical to see if the town could qualify for 80 percent funding, and there are some such instances.

In a vain attempt to get that particular local government entity making application qualified for 80 percent funding, which was the only way you could get a water system, weeks were spent here in Washington in EDA trying vainly to get something called the Designations Branch to redesignate that particular area so as to be qualified for the higher funding formula.

It then attempted to obtain a supplementary grant from the Appalachian Regional Commission to pick up the other \$300,000. All that did was necessitate spending 2 more weeks up here and permit Appalachian Regional Commission and EDA to get into a squabble about whether or not the town was entitled to have 80-percent funding.

Government funding or Government assistance to that little local community in the 80-percent category would have made the difference. It did not come. The town does not have a sewer and water system and no industry has located there.

This is one of the problems that it seems to me S. 10 policy would help reconcile, especially if the committee could illuminate in its inquiries, field and otherwise, how these things happen.

The CHAIRMAN. Well, there are various degrees of Federal aid which may be needed. One community may need more than another, depending on its economic situation. As you say, many little towns need water and sewer systems or schools and other public services. But they have already become indebted to the limit of their resources. Some may have a small margin to borrow.

But most little towns do not have resources, the borrowing power, the bonding authority, to facilitate industrial development. With some Federal assistance—sometimes it will take more aid in one place than in another—they would be able to help provide these facilities. Some of this aid could be in the form of loans. And as the town develops, through industry and jobs, it can reimburse the Government. If such industrial development programs are not done, people migrate to metropolitan centers, many of them winding up on costly relief rolls. So for an investment of \$1 million in rural communities the Government can save itself \$5 million; perhaps even \$10 million. Thus it is sound economics for the Government to establish such a rural revitalization policy.

Mr. Mooney. There is no question about it and another extremely significant example again comes from the chairman's home State.

Gassville, Ark., population 87, is located right outside of Mountain Home, and is my ancestral family home. A shirt factory wanted to locate in that little town to serve and to draw its labor force from Baxter and Marion Counties. They needed a water system because the town of Gassville did not have one. The first Area Redevelopment loan made in the United States was \$80,000 and it was made to Baxter and Marion Counties in order to build a water system to service that textile plant. It provided immediately upon construction several hundred jobs in that two-county area, and was the functional beginning of the economic development of that particular multicounty area.

The CHAIRMAN. Thereafter, other plants came in there, did they not?

Mr. Mooney. Yes, sir.

The CHAIRMAN. You see, when you make the investment one time to accommodate one plant, you have usually made enough investment to accommodate two or three more.

Mr. Mooney. The strategic importance of that single investment of \$80,000 can't be overestimated.

The CHAIRMAN. How many plants have come in there?

Mr. Mooney. Four in the last decade, each of which employ in excess of 150 people. They even got an aircraft fabricating subassembly plant in there, which positively amazed me.

The CHAIRMAN. Yes, I know. You get one plant to come into a community by supplying the facilities, the public utilities that are necessary to accommodate it, and you have increased your capacity to accommodate many more. One plant is usually followed by another.

Mr. Mooney. Yes, sir. And the public investment not only into those dams and reservoirs up through but in more minor ways, the public investment in sewer and water systems up there was in that instance not wasted. It was capitalized upon. And it seems to me the results are there for everyone to see.

The CHAIRMAN. That is a pretty good illustration of what can be done with this kind of a national program.

Mr. MOONEY. Yes, sir. With the coordination and cooperation of precisely timed and coordinated Federal public investments working together with private economic incentives, which was the situation in that small town and is being duplicated in a number of small towns in this country, local development is not thwarted and frustrated.

The CHAIRMAN. What happened in Arkansas is happening in other States, too?

Mr. MOONEY. Yes, sir.

The CHAIRMAN. We have to facilitate this kind of program or policy. That is what we have to do.

Mr. MOONEY. The one thing I wanted to comment upon, however, is relevant to yesterday's testimony. One of my little lessons notes that planning districts come in all shapes and descriptions. Even under the prodding of OMB, I doubt that their boundaries can be coordinated. In my home State of Kentucky alone, we have some planning districts that are 17 counties large and others which are only five counties large. There seems to be no rational explanation for that difference. In Tennessee, they have 22 counties in some of their districts; in Virginia, the largest one, I think, is probably seven counties.

In any event, supposing that OMB or whoever takes charge of this is able to coordinate all of these different planning districts and one thing and another they will but have a coordinated planning district structure, and a large number of planning districts to draw lines on maps, to make plans, to write applications, to facilitate liaison, hold meetings, and organize more meetings.

The CHAIRMAN. I do not want this program or what I envision for rural communities to get bogged down in a lot of planning districts.

Mr. MOONEY. Right.

The CHAIRMAN. Once again, I stress that such a rural development program need not be made complicated.

Mr. MOONEY. Right.

The CHAIRMAN. You do not have to have a lot of planning districts for it to work. If an industry wants to come to town, the Government need only provide some assistance toward the building of the other facilities that are necessary to accommodate such industrialization. Planning is fine and I am for it, but we do not have to wait for a lot of planning to initiate this kind of a policy.

Mr. MOONEY. That is true. And my lesson is that planning districts do not implement. Implementation—the actual construction of a plant, the location of it, the creation of a new business in a given place—is normally done by the private sector of our economy and properly so. The Government may assist in the creation of sewer and water districts, industrial parks, access roads, and one thing and another, but the final act of creation, of actually locating a plant there, is normally the exertion of creative efforts by private individuals and unbelievable amounts of time devoted to details of working out the deal. If it is a large industry locating a branch plant, then they do that work. If it is a small industry, then someone has to be available to do that work. Small town mayors, city councilmen, et cetera, normally can't afford to and do not have the resources to employ someone to do this kind of hard-nosed work for their town.

It seems to me that the committee ought to, in its examination of S. 10, ask relevant questions within the Federal establishment relating to who actually closes the deal. Who, when, where, and how does the plant actually get located, does the labor force get employed, does the product get manufactured and sold? In order to effect the impact that S. 10 envisions, actualization of industrial plants or commercial developments in the rural areas must physically occur rather than just be described or planned for.

There may well be a need for some coordinating services, because when a plant comes in or wants to come into a place, the planning, the examination, the surveys that this planning commission makes and so forth can help. The planning district can make a survey and ascertain if a plant comes, employing 350 or 500 people, what impact that is going to have on the schools and on other services and how much is going to be required to meet it. That can fit in very well.

The CHAIRMAN. Very well. And up here on the Washington level, there may be some need for some authority to coordinate these things and see that all agencies that are involved function in a cooperative way.

Mr. MOONEY. My statement, the printed statement that is included in the record, contains one example of the kind of coordination of packaging a single small, new, industrial plant in a rural area in Kentucky which involved three separate Federal agencies and getting them together around the same deal, together with local efforts, and private investment.

The third point that I wanted to talk about, really, is part of the same one. Capital is the root of all economic development. Now, my example of this, and in my printed statement I advert to something called the Checci study. It is the only one of its kind I know of. A 60-county area in central Appalachia was studied by a contract agency under an Appalachian regional commission grant, to investigate the capital drainage from just that 60-county area.

They found in their study that locally generated capital—savings, in other words—in the magnitude of \$190 million annually came from the local economy and left the area; \$110 million of that went to the national capital market which lives in New York City and only \$55 million ever returned to the area. There was a net capital loss annually from that 60-county area of \$54 million, money that left and never came back. They also found a potential of some \$13 billion in savings, pension plans, and so forth, in the States in which those counties were located.

The problem was, or so the Checci Co. concluded, that while local capital for economic development purposes was generated, it drained out of the area annually and never came back in any form, and their recommendation, the obvious recommendation, is that capital reserve, capital storage, collection, and aggregation institutions designed to use locally generated development capital, must be erected and operated there in order to stem the capital drainage and to further local economic development.

Now, public investment in the form of Federal expenditures in that 60-county area was nowhere near the magnitude of the locally gener-

ated savings that could have been used if the appropriate institutions existed to utilize them.

Small Business Administration studies indicate that a \$10,000 equity investment generates \$40,000 in debt capital and creates one new permanent job—not a dole, not a 1-year employment, but a permanent job. You can make superficial calculations and multiply the number of jobs that could be created with x dollars of equity economic development capital available and come out with some expectation of what could be achieved in any given rural area.

It seems to me obvious, therefore, that in pursuing the S. 10 policy of rural economic development, the committee should address some of its attention to whether or not appropriate capital development institutions are available in the rural areas to utilize locally generated capital as distinguished from trying to attract external capital from the private capital markets and compete with high-interest rates and high earnings generated from developments in southern California or the Common Market, local private investment supplements, the public expenditures, the Federal investment require to create real and genuine economic development.

I, therefore, would recommend that in the course of its inquiry, especially out in the field, the committee ask questions of local businessmen, specifically local bankers who are the key economic development people in the rural areas, about economic development possibilities in their area, how the Federal programs help or hurt them, what local arrangements have been made in order to generate local economic development from the capital that already exists there.

In summary, then, I go back to say there is no question about the fact that I support the policy of S. 10. I suspect, furthermore, that in the committee's inquiries, it will become apparent, however much it may not appear to be so at this time, that a certain amount of tinkering with the system will be necessary and the organic acts of the Federal agencies now charged to effect rural economic development may need to be focused more directly on rural economic development. That may entail certain amendments to their organic acts or inquiries into their budget expenditures.

I have a list of recommendations which I am not going to read into the record, for I would prefer for the committee to discover these things themselves. I would merely ask that you ask the right questions to the right people.

Thank you very much.

The CHAIRMAN. We anticipate that. There may have to be some amendments to present statistics to make this effective. But the general concept still remains.

Mr. MOONEY. No questions about its validity.

Thank you, sir.

(The prepared statement previously referred to follows:)

STATEMENT OF EUGENE F. MOONEY

INTRODUCTION

There should be no higher priority domestic policy than one calling for revitalization of economically distressed areas of this country by means of economic development. The need for such a national policy has long been evident.

Pronouncement of such a policy would clarify our goals. Effective implementation of such a policy would promise to relieve many otherwise intractable social problems. Policies favoring economic development are obviously preferable to those more narrowly framed in terms of economic redistribution, public subsidy, or prohibitions. Conscious use of economic incentives to effect national demographic policy by creating a broader spectrum for the exercise of personal choice is in the highest tradition of our society. Further, our national experience suggests that such rational policies, emphasizing persuasion and individual determinations of personal welfare, are both more efficient and more palatable to our people.

I unequivocally support the policy of Senate Bill 10 and urge the Congress to promulgate and implement it promptly.

Despite my deep belief in the absolute necessity for a rural economic development policy and my strong support for the objectives of S. 10, I entertain some misgivings over whether even the Congress of the United States can get this job done. These misgivings arise from several sources, but relate to two general aspects of the matter:

First, The sheer magnitude and complexity of the present arrangement for affecting rural development in general is staggering; and
Second, I doubt the capability of the Federal administrative establishment to implement in rural development programs what Congress may pronounce as national policy.

At the outset it will be useful to clarify what is being discussed. The definition of "rural" areas become most important when public policies and program monies are involved. While obviously not referring to the scattered farms and open spaces of the West, the term "rural" should not be mechanically defined by computers, whether SMSA's or some other mathematical abstraction. If S. 10 is designed to affect areas outside the megalopolis, then the Committee should not lose sight of that objective. Over-fascination with computer definitions of "need" will result in even more complex and unrealistic eligibility requirements which ignore real differences among communities making this one a good candidate for progress while that one is just another dying town. The war on poverty doomed itself to such mindless strategies at the outset. Another critical definition is the meaning to be ascribed to "economic development." Theoretical work on "economic development" by such scholars as Joseph Schumpeter and W. W. Rostow emphasize that the phrase connotes "growth" and not merely relocation of existing production. While movement of the textile industry from New England to North Carolina economically developed the latter, it impoverished the former area to exactly the same extent. In economic theory only new combinations of the time-honored "factors of production"—land, capital, labor, education and technology—result in economic growth. But we have witnessed steady and sometimes spectacular growth in national GNP over the past few decades while our rural areas experienced steady, inexorable decline leading to the distressing poverty statistics so familiar to the Committee. There is no handy-dandy how-to-do-it manual on rural economic development. Sadly enough, to my knowledge there is not even a theoretical work on regional economic development.

Point number one but indicates my own ignorance. So point two will be emphasized. The main thrust of my statement before this Committee on S. 10, is, quite bluntly, the capability and willingness of the Federal bureaucratic establishment as presently configured to carry out a national policy of ruralization of rural areas through economic development is questionable. Study, personal observations and experiences with these agencies over the years involving rural development activities leaves me less than confident they can or will effect the degree of internal coordination of their own efforts or cooperation with "outside" efforts which will be required consistently to have measurable impact on the nation's social problems as envisioned by S. 10 and stated concisely in the Chairman's opening statement.

The remainder of my statement will tend to support that rather pessimistic conclusion and will be anecdotal rather than analytical in nature. However, these selected anecdotes can teach valuable lessons regarding aspects of the central problem here. Each of them distilled of their essence and taken together with the other testimony offered today may provide the Committee a basis for inquiring further into the operation of our present delivery system and afford some constructive suggestions regarding governmental strategies for pursuing the intent of S. 10.

I.—DEVELOPMENT OF INFRASTRUCTURE

Conventional wisdom has come to be that the Federal Government should be obligated for public investment in the large so-called "economic infrastructure," i.e. not only brick and mortar investments in highways, dams, parks, harbor facilities, but also some service systems such as support for labor training, public education, and mortgage assistance. Numerous studies in recent years have attempted to indicate the scope and diversity of these program commitments. The Advisory Commission on Intergovernmental Relations in 1968 issued such a study entitled "Urban and Rural America: Policies for Future Growth." This Report was less concerned with rural economic development than with the concept of new cities for rural areas. However it is instructive for our purposes. Included in that report is a table displaying a representative selection of federal programs for new community housing and public facilities indicating the type and general characteristics of then-existing federal programs relating to many necessary aspects of rural economic development. (See page 94, Table 44.) This is neither a comprehensive nor detailed listing of all federal programs affecting rural industrial development; but it contains some indication of the problems inherent in the present system if one knows where to look.

Generally speaking, federal grants and loans for these infrastructure systems is available to state or local governmental or non-profit applicants on a matching funds basis. The normal ratio is 50% for construction, with an occasional higher federal component for planning funds. One infrastructure system which is absolutely essential to rural economic development is a sewer and water system. There may be "smokeless" industrial plants but there are no "waterless" plants. There are three different federal agencies theoretically in the rural sewer and water system business—H.U.D., Agriculture and E.D.A.—each with different organic acts, administrative delivery systems and eligibility requirements. Under all of them, however, matching fund ratios can be altered to some extent depending upon the administering agency's own policies. Take, for example, the apparently optimum E.D.A. program to encourage rural economic development by sewer and water system construction.

E.D.A. sewer and water system loans and grants are made by one of its departments in the context and subject to matching fund ratios established county by county. This department lives in Washington, D.C. over in the Commerce Building. However, E.D.A. also has created and utilizes multicounty Economic Development Districts which are basically constructed from at least two poor counties and one growth county together with intervening and surrounding ones. Applications for federal funding normally are prepared and processed initially by these EDDs which live out in the counties. This structure is administered by an entirely separate E.D.A. department which also lives in D.C. To qualify for the maximum 80% matching ratio a given county, small town or rural governmental subdivision must be designated as eligible by still a third E.D.A. department here in Washington called the Designations Branch. A given town, county or local governmental subdivision (a magisterial district in Virginia, for example) must be qualified for automatic 80% federal funding by virtue of its inclusion in an EDD with such status or capability, or be so designated independently by the Designations Branch, or be permitted at the discretion of E.D.A. bureaucrats to "patch" onto an existing E.D.A. district for purposes of 80% sewer and water system funding. (Only Johnson County, Oklahoma, has been permitted to do this to my knowledge.)

Take the typical example of a small town which needs a \$1 million sewer and water system as a precondition to an industry locating there. Federal funding for 50% is readily available but the remaining half million will likely be totally outside its ability to raise. Even with a good credit rating the town will have legal, practical or financial limits to its bonded indebtedness, and in this hypothetical case it will be about \$200,000. Where is it to get the other \$300,000. Townspeople are not able to contribute it, the industry is not likely to donate it and few states have sewer and water system funding programs available to take up this slack. If they did that would be but another government agency to deal with in the matter, located in still another city. Thus 80% federal funding becomes determinative of the matter and an E.D.A. official in Washington holds the key position—but it is not the particular official who knows or cares whether the town gets a new industry or people there get jobs or even whether a sewer and water system is needed. His concern is whether the applicant matches the

guidelines his own agency has promulgated regarding eligibility, inclusion in an E.D.D. or its "designation" status. Those guidelines normally permit him such latitude for his discretion that once his mind is made up on whatever grounds there is no effective recourse. In addition, among the unpaid public officials of the small town, none of them has the time, money, expertise, status or patience to spend literally weeks here in Washington walking the halls of the Commerce Building arguing with federal bureaucrats over the matter. Thus if there was some legal recourse available it could not practically be exercised by municipal officials being paid \$10 per meeting day to conduct the affairs of the town.

Nor does it ameliorate these bureaucratic problems to permit the Appalachian Regional Commission specially and independently to make up the \$300,000 by means of a supplementary grant. That only puts a fourth Federal bureaucracy into the decision arena, anyone of which can veto the entire project by finding the applicant, the application or the application procedures defective.

This is a thinly-camouflaged description of the attempt by a Virginia magisterial District to qualify for 80% E.D.A. funding of a rural sewer and water system for the town of Damascus, Virginia, several years ago. The need for such a system was easily seen at that time by the pending designation of the Mount Rogers National Recreation Area located nearby which would bring several million visitors to the area soon. The E.D.A. Designations Branch determination killed the attempt. The director of the Designations Branch made the decision for E.D.A. on grounds the applicant was not "eligible." The magisterial district and its small town still do not have a water system.

Responsible use by E.D.A. officials of their enormous potential for rural economic development is exemplified by the first Area Redevelopment Act sewer and water system loan and grant ever made in this country. My home county and its neighboring county joined efforts in the late 1950s to locate a textile plant near my ancestral home in Gassville, Arkansas, population 87. By way of background, Federal government constructed power dams in the late 1940s had created recreational facilities which, in turn, led to a typical boom and bust cycle of commercial activity related to the annual fishing season. Year-round employment opportunities were badly needed if the area was ever to escape that syndrome. The Arkansas General Assembly had enacted legislation to permit issuance of joint county revenue bonds, the land was made available and the firm was ready, willing and able to construct the plant. Gassville had no public water system. E.D.A. effected an \$80,000 loan and grant to construct a water system, thereby making possible location of the first industry of *any* size for either county for decades. That key public investment decision was made by an E.D.A. official now employed by the Ozark Regional Commission and who obviously understood then the strategic necessity for that grant in the drive for economic development of that rural area.

There is no doubt that the most powerful rural economic development force currently making itself felt are large public investments in interstate highways, public water reservoirs and federally developed recreation facilities. These types of infrastructure developments are the keystones for such federal regional economic development planning as is being done by A.R.C., for example. Indeed, construction of the Appalachian Highway System is the primary job of A.R.C. and what differentiates it from the Title V commissions. However, without the concomitant development of industrial sites, sewer and water systems and local commercial developments, much of the economic development value of these highways, parks and reservoirs will go to waste. An old example will serve to illustrate this point.

Norfolk Dam near Mountain Home, Arkansas, was finished in 1946 creating a 90-mile long reservoir, the first of its kind in the White River basin. The Corps of Engineers purchased every foot of the shoreline, sometimes several miles back from the water and at no point nearer than $\frac{1}{4}$ mile. Permanent housing, commercial and recreational developments were not within the conception of the project at that time, and for over ten years the Corps held all the developable land around Norfolk Lake, and merely tolerated recreation activities on the lake itself. This retarded economic development of the entire region for a decade and it was not until the late 1950s that the nearby counties began their steady climb toward some small degree of affluence. It took the Corps that long to change its agency policies to permit such activity and to make its land available for residential sites.

The Corps now utilizes the concept of recreation development to justify such projects in terms of cost-benefit analysis. But one is entitled to ask whether it or other Federal agencies not primarily organized for economic development purposes can, do or will formulate policies, programs and practices which will foster, encourage or even permit rural economic development to result from massive public investments.

II.—IMPLEMENTATION OR PLANNING

During the past half-decade it has come to be generally accepted that development planning should be performed by multicounty agencies. The War on Poverty programs together with existing state and county arrangements created a strange world of planning agencies. Proliferation of federal categorical assistance programs by the hundreds among different agencies, each with its own multicounty planning concept, agency requirements and considerations, resulted in an unbelievable welter of separate and distinct, overlapping and uncoordinated planning commissions, councils, districts and boards. This movement was attended by creation of multistate regional commissions made up of economically depressed counties. It became imperative to simplify this jury-rigged structure and OMB was created to do it. The Committee has heard testimony on this situation, Federal and State efforts to remedy it and the operation of some types of such local agencies. You will hear more—much more. For it is coming to be conventional wisdom that the correct approach to rural economic development is through multicounty planning, coordination and development agencies with state offices performing some unspecified overseer role. Now the President proposes to reorganize and consolidate the Federal Executive Branch agencies and delegate more authority to the field offices in an apparent attempt to rationalize the structure even more. The relationship between different federal grant agencies, state coordinating offices, multicounty planning commissions, counties, towns and special governmental districts is not only not clear or consistent in every state at this time, it probably can never be uniform for a variety of legal, political and practical reasons. Continuing confusion caused by sheer complexity is probably endemic to the situation. But aside from complexity, the very conception, organization and operation of these so-called planning and development agencies—regional or multicounty—inhibits their use as effective implementation agencies to produce rural economic development in fact.

Take the most ubiquitous of these multicounty agencies, the Economic Development District of E.D.A. There must be several hundred of them across the country, some on paper only, some in being. They are called "local development districts" by A.R.C. in their area, termed variously by states as "Economic Development Districts" (Tennessee), "Area Development Districts" (Kentucky), "Councils of Government" (Alabama), or just "Development Districts" (South Carolina). However labelled, they are largely designated and funded by E.D.A. under general organizational requirements specified by that agency. With economic development in mind and their primary reason for existence, the prime strategy appears to be the drawing up of an "Overall Economic Development Plan" for each district which will subsequently be followed or implemented in some fashion not made clear in the plans themselves, the E.D.A. regulations specifying their content or otherwise. Doubtless some get implemented somehow, at least with respect to coordination of some federal infrastructure investment programs. However, in the nature of things little by way of specific, private economic development creating permanent jobs in the area will directly result from these plans or activities. They are not conceived, organized, staffed nor operated to create new economic activities, nor can they be expected to do so in other than unsystematic and indirect fashion. Further, the most that can be expected of them in this respect is to be receptive and to assist private entrepreneurs in preparation of focused economic feasibility studies of specific business ventures for their district. The actual creation of new businesses—the long, tedious work of legal preparation, arranging financing, erecting plant and buying equipment, gathering and training the management and work force, making sales and putting the business into operation—not only is not their job, it is beyond their professional and organizational competence and, as a government agency, might be improper if they did it. The type of economic feasibility study required for such specific business creation bears little relationship to the type of economic feasibility study by consultant agency regularly funded by E.D.A. Technical

Assistance Division. The latter are more in the nature of an economic survey, a once-over-lightly description of a county, region, area or industry in vaguely economic terms which normally concludes with the recommendation that another study be made.

An example of such a specific economic feasibility report for a small semi-automated bookbinding plant which was created in a rural area of Kentucky by Enterprise Development Incorporated, a unique non-profit Kentucky corporation, in Enterprise Development Project, EDA Technical Assistance Project, Oct. 1969. Even that document does not fully reflect the detailed legal, financial and labor training programs required to create this small business. Nevertheless, the first new industrial plant for Morehead, Kentucky, in 25 years was created by E.D.I. through adroit use of existing federal programs and meticulous coordination of private and public effort. A brief examination of how the financing was obtained for this venture will illustrate the point.

The economic feasibility study indicated that \$160,000 fixed capital and \$40,000 working capital would be required to finance Kentucky Bookbinders Inc. This was raised in successive steps:

First. A Local Development Corporation was formed by EDI and funded with \$11,000 by the residents of 3 counties. An SBA 502 loan for \$99,000 was then negotiated by LDC for the purchase of plant and equipment. [An LDC is a special, statutory corporation the characteristics and operations of which are specified by federal law which make it eligible for so-called 502 loans for 90% of the cost of plant and equipment under certain conditions.] The LDC thus raised \$110,000.

Second. The operating company was formed under State law by EDI and local residents of Morehead, Kentucky, invested \$50,000 and leased the plant and equipment from the LDC for the payout period of the 502 loan (16 years).

Third. EDI conducted a search and located a plant manager outside the area who was skilled in the proposed business, and persuaded him to move to Kentucky, associate himself with the cooperating company as manager and investor and train a labor force for the plant.

Fourth. EDI negotiated a labor training program grant of \$40,000 for the new company with the Department of Labor, and with the help of a local agency the work force was assembled and trained over a six-week period by the plant manager. This permitted the company to begin business in the black.

Finally. An \$80,000 Department of Agriculture procurement contract for binding government books was obtained for the new company by E.D.I., utilizing federal procurement regulations. This gave the new company its commercial beginning. It now lives off its own efforts and is expected to thrive in the future without subsidy.

The new company offers permanent employment to about thirteen people and is owned by the residents of the rural area it inhabits. It is a small example of genuine rural economic development. There was none in this venture, but to my knowledge no Economic Development District is organized, funded, staffed or operated to perform such diversified coordination in order to accomplish such economic development for its area. They may well accomplish multicounty planning, even utilization and coordination of some federal infrastructure programs, but they are ill equipped to create new, private sector employment or ownership opportunities. Actually, some federal agencies charged with rural economic development are affirmatively dysfunctional in such ventures.

Relevant to this discussion is an observation of the role of the E.D.A. Technical Assistance Division and its handmaiden the University of Kentucky Business Development Office of the College of Business Administration. This particular alliance stems from the E.D.A. policy and strategy of using most of its Technical Assistance budget monies to fund university centers to operate various types of local, small business consultant and advisory services. In the course of creating Kentucky Bookbinders Inc. SBA insisted that the UK office review the proposal before the 502 loan would be approved.

The considered judgment of the university office was that the venture would never work and thus should not be attempted. It did work. So much for the expertise of that advisory service, and, one is entitled to suspect, for the entire E.D.A. strategy.

On the other hand, the efforts of the Upper Cumberland Economic Development District in helping create an SBIC is an example of excellent cooperation and assistance in the prolonged and painful business of rural economic develop-

ment. First, Cumberland Investments Inc. of Cookeville, Tennessee, to my knowledge is the first and only rural Small Business Investment Company of its kind ever created. EDI conceived, organized and created the company with the invaluable assistance of the 21-county EDD located there. Chartered in Tennessee and licensed by SBA, the First Cumberland company was funded by the investments of some 20 small, county banks located in that development district, and operates to provide development capital—both debt and equity—for new or expanding small businesses in that multicounty district. The EDD was instrumental in providing access to these banks, doing the necessary liaison work and helping provide an organized approach to the venture. Although not contemplated by its OEDP, the EDD was able to visualize the utility of a local area SBIC to its other economic development interests.

A most recent direct experience with two federal agencies—E.D.A. and A.R.C.—tends to confirm an observation that the efficiency of federal agency action *decreases* geometrically by the square of the number of different agencies involved. The procedural steps to confusion can be summarized thus: First, a funding application involving 25% foundation money and 75% federal funding of a rural economic development project was directed to E.D.A. Technical Assistance Division by a non-profit corporation and was unilaterally converted by that division and A.R.C. into a *joint* funding request to *both* E.D.A. and A.R.C. Secondly, E.D.A. and A.R.C. each insisted that the other agency bear the larger portion of the so-called federal share, and this interagency jurisdictional dispute had to be laboriously settled. Thirdly, E.D.A. and A.R.C. then got into an argument over which agency should put its money into the project first, and this took several meetings. Fourthly, it was not until midway through the work program period that a financing telegram was issued and not until near the end of the period that the federal money actually became available. The net result of several successive examples of this type of agency "coordination" was that the project was allowed to die to the tacit relief of all concerned. Some 60-75% of project expense money and staff time was being spent in Washington, D.C. attempting to coordinate federal agencies and clear up project funding problems caused by the agencies themselves. *Grown men can find better uses for their time and talents.*

The Committee is entitled to ask of the federal service agencies, their creatures and assistants, precisely how coordination of federal programs, planning and implementation of rural economic development is accomplished under the present arrangements. The traditional justification for such structures is that States, counties and municipalities can neither afford nor, individually, support such planning agencies on their own. The best of them may effectuate some federal program utilization and the worst by their presence and assumed competence may stand as obstacles to rural economic development.

III.—NATIONAL STRATEGY FOR S. 10

A national strategy for systematically effecting rural economic development of the type discussed here should be devised. Demonstrably, the present arrangement is not working well or fast enough to meet the current challenge. During an era of unparalleled economic growth and prosperity, the rural areas are impoverished. Without drastically restructuring the present federal delivery system, creating a new federal agency or enacting radical new programs Congress should be able to facilitate agency implementation of existing programs in such fashion as to produce measurable impact. However, some care needs to be taken in deciding upon the primary economic development strategy.

The most formidable obstacle to rural economic development is the want of development capital. With the decline of agriculture and the exodus to the cities, rural America finds itself with virtually no capital base from which to develop itself. Steady erosion of the existing base over many decades has rendered many areas of our country virtually as *undeveloped* as the new African nations. Recent fluctuations of our national economy have rendered many other areas as temporarily *underdeveloped* as Germany after World War II. Different approaches may be required for these different situations. However else formulated, however, a national strategy for S. 10 must recognize the realities of rural economic development, one of which is the imperative need for local development capital to create permanent local economic activity.

policy statement of the House of Representatives, Committee on Agriculture, 1964

An example of the steady exodus of locally generated capital from a rural area is the 60-county area of Central Appalachia recently studied by Checchi and Company under a grant from the Appalachian Regional Commission. In summary, the study discovered that of the total local annual savings of \$189.2 million, \$109 million left the area going into the national capital market and only about \$60 million ever returned. Thus there was an annual net capital loss to the area of \$54 million. Further, the study reveals that area capital investment institutions are not structured or operated to utilize even the locally generated capital which could be invested in the area.

To my knowledge this is the only regional analysis of this type and is instructive in the context of this inquiry. Although difficult to establish in a cause-effect relationship, there would seem to be little doubt that the steady, annual loss of potential local economic development capital bears very strongly on the economic viability of that area or any other similarly suffering. Further, one suspects this type of capital drain may be common to other economically undeveloped rural areas. Indeed, it may be the one common characteristic of all such areas which distinguishes them from economically viable areas. Men must migrate to job opportunities and a net outflow of development capital may presage demographic movements. Capital leaves, families leave, businesses stagnate and the tax base erodes. A national strategy for S. 10 should take into account the implications of the Checchi Study.

Studies by the Small Business Administration indicate that as a rule of thumb it is reasonable to expect a \$10,000 equity investment to generate \$40,000 in debt investment in a new or expanded business. Further, a \$10,000 equity investment can be expected to create one new permanent job for the head of a family. Quick calculation produces the result that \$1,000,000 in new investment creates 100 new jobs and if the net outflow of \$50 million from Central Appalachia could be effectively utilized for economic development there, some 5,000 new jobs could be created in that area annually. These mechanical and superficial calculations indicate the significance of this capital outflow in terms of local employment opportunities. (The Checchi Study estimates that \$13 billion is lodged in various conservative capital storage arrangements in the three-State area which could become available for economic development with appropriate institutions.) A national strategy for S. 10 should be framed in terms of institutionalized use of locally generated private development capital.

A number of existing devices could be utilized to effect rural economic development through local capital aggregation and investment structures. One frequently mentioned is the State or Regional Industrial Development Fund which makes available "soft" loans for local economic development. Another similar arrangement is the MESBIC. Many States have their versions of these industrial development funds. For the most part their utility is limited and they serve as backup lenders for local conventional lenders which normally have adequate resources. The Report of the President's Task Force on Rural Development entitled, "A New Life For the Country," published March 1970, recommends creation of a "Rural Development Credit Bank" to make rural infrastructure development loans. (Page 26)

An underutilized device combining the best features of RBIC's and MESBIC's, together with its own unique features, is the Small Business Investment Company licensed, funded and regulated by the Small Business Administration. Its unique feature is eligibility for federal funding through a matching formula of approximately two federal dollars to one private dollar, up to \$10 million.

Although conceived in some measure as a capital investment device for small business outside the metropolitan areas, the SBIC has never been widely so utilized. From a peak of over 600 licensed SBICs a few years ago it has declined in both numbers and popularity. With minimum capitalization requirements of only \$150,000 some 85% of the SBICs formed were too small (one man CPA operations) even to pay their own overhead costs much less invest much money, while many were organized by large banks as a protective device and high risk investment vehicle. Some were used to invest in given industries only. None were organized specifically to serve the economic development needs of particular rural areas. SBA studies of the operations of SBICs revealed that minimum capitalization requirements should be raised to \$1 million for beginning SBICs to be viable. This was rejected by Congress in 1968, but practically speaking \$300,000 minimum capitalization is still required by SBA. Their ability to lend up to 35% of capital would thus permit them to live off the interest, and their

ability to invest 65% permits them to provide substantial amounts of working capital to new small businesses in their area. Locally owned by banks, businesses and private investors, rural SBICs could make admirable vehicles for rural economic development strategies.

The Committee is also entitled to inquire into the feasibility of a number of new and different arrangements to see how they would augment the existing system. Such concepts as "federal industrial parks" for rural areas as a rural economic development device should be explored. Formalization and funding of enterprise development activities for rural areas by private agencies should be considered. These "packaging" or private coordination activities are legitimate extensions of policies encouraging the creation of new industry in otherwise neglected areas. Tax incentives for creation of new enterprises in rural areas—as distinguished from bounties for relocation of industry from one area to another—are a familiar suggestion. Examination of actual Federal property disposal and procurement practices may discover the need for and analysis would reveal the feasibility of new production facilities to be located in rural areas. Yet there would still be the need for adequately developed plant sites, packagers of the necessary federal services and promoters of the particular new businesses created in rural areas.

CONCLUSION

This statement has recited in episodic fashion observations on some of the encouraging and distressing aspects of the job of rural economic development. There are shortcomings inherent in the present system and in any alternative arrangement yet suggested. No system is perfect. But some can be more imperfect than others.

Areas of inquiry which this Committee should address concern national policies, delivery systems and results. Those most conversant with Federal policies and delivery systems are the appropriate source of information concerning those matters. And recipients of the services, users of the programs, *impacted*—if you choose—are the best source of information concerning the *result* of the Federal policies and programs. Thus the Committee should inquire of local public officials, businessmen and especially local bankers of the objective results and worth of Federal policies and programs to their areas. One is entitled to be skeptical of claims of accomplishment by those who have no measuring rod, who are charged with and engaged in performance of Federal programs and whose salaries, agency budgets and career promotions depend upon documentation of such results—whether they occur or not.

This is not to assert that Federal agency officials are not worthy of belief. Federal officials are no less honest than other men—but they are no more so either. Local officials and citizens will know little about the internal workings of their Federal agency offices, but they will have some impressions of their efforts, their accomplishments and their worth to the community. They may have startlingly useful insights into what programs are useless, how the system could be improved and what new strategies would be useful.

The CHAIRMAN. We have received a statement from Senator Burdick. He is one of the cosponsors of the bill and his statement supports this legislation. I direct that it be printed in the record at this point. (The statement referred to follows:)

STATEMENT OF HON. QUENTIN N. BURDICK, U.S. SENATOR FROM THE STATE OF NORTH DAKOTA

Mr. Chairman, I am proud to be a cosponsor of S. 10, to establish a national policy relative to the revitalization of rural and other economically distressed areas.

My State of North Dakota is one of seven contiguous States stretching from Idaho through the northern plains to Minnesota and Iowa in which a majority of all counties have had a net outmigration or decline in population in each of the last two decades. And, I might add, this continued net loss of population has occurred in the absence

of any serious prolonged drought in North Dakota during the entire 20-year period.

Every day we hear of the crisis in our Nation's cities. We hear of the crimes committed, the zooming welfare costs and the increasing unemployment rolls. But we hear far too little about what may be the root cause of these problems—the declining rural economy and the eroded vitality of rural America.

Over a number of years, soaring production expenses, higher taxes and declining farm prices have forced millions of farmers out of business. This in turn has forced the closing of small businesses in rural communities. These conditions have been even worse in recent years.

Although cash receipts from the sale of farm products increased only 27 percent in North Dakota in the past 10 years, farm production expenses increased 50 percent.

Farm program payments have increased from \$31 million in 1959 to \$163 million in 1969. Except for this increase in farm program payments even more North Dakota farmers would be holding closing-out sales this spring.

This deteriorating farm income situation, coupled with the lack of adequate housing, educational opportunities, water and sewer facilities, health care facilities, and community services in smaller towns and rural communities, has created a tremendous population migration from rural North Dakota and similar States to the already overcrowded cities.

In my opinion, the purpose of Government policy in this area should be to provide the opportunities required to permit people to live and work where they want to live and work. Although most counties in North Dakota reported a loss in population in the last decade, the cities of Bismarck and Dickinson, each of which had fewer than 50,000 people in 1970, had population growth rates during this most recent 10-year period of 25 and 24 percent, respectively.

I am convinced that many rural people who left North Dakota in the past 10 years would have preferred to stay on their farms or to settle in a growing town or small city in their own State. They moved to big cities in other States because they could not get suitable jobs in North Dakota, or they could not find adequate housing, or the educational and cultural facilities in the small towns where they might have located left much to be desired.

Mr. Chairman, I commend you for your continuing efforts to achieve a better coordination of Federal grant-in-aid funds in order that they may make a greater contribution to the rural communities suffering continuing losses in population. Those of us representing the Great Plains States recognize that our communities have different problems from those which are located within commuting distance of an urban growth center.

We must have policies and a coordination of Federal, State, and local programs which encourage an accelerated growth and development of public services and job opportunities in the smaller population centers of these more sparsely settled areas. We need an Appalachia-type program covering all outmigration areas.

It is my hope that hearings on S. 10 can be completed within a reasonable period and that it will be approved by this committee and by the Congress during this session.

People who want to live in small towns should be able to have good schools for their children, good medical care, and modern social service and cultural activities. They should be able to find satisfactory employment opportunities without having to move to a large city. In my opinion, the passage of S. 10 would be a major step toward achieving this goal.

The CHAIRMAN. Our last witness for these preliminary hearings this morning on S. 10 is Mr. Donald F. Bradford, Director of the Office of Economic Adjustment, Department of Defense.

Mr. Bradford operates under a Presidential mandate to help small towns alleviate economic distress caused by necessary defense realignments. He has been able to cut across Government lines and through its bureaucratic maze to help rural communities make the transition from an economy primarily supported by the Federal Government to one which is self-sustaining and local in nature. With a very small staff of only seven and no authorizing statute or special budget, Mr. Bradford has been able to match up Government power with local needs to achieve rural development. In working with fixed facilities, Mr. Bradford's operation is a kind of microcosm for rural action which this committee may wish to use as a model to cover the full spectrum of Federal programing for rural revitalization.

Mr. Bradford, we will be glad to have you give us the benefit of your experience in this work you have been doing and your views regarding this legislation, particularly its objectives.

I note that you have a lengthy prepared statement. Would you care to insert it in the record and highlight it or would you prefer to read it?

Mr. BRADFORD. I would prefer to read it, sir; because I think it summarizes the situation.

The CHAIRMAN. Very well; present your statement just as you would like to.

Would you please identify your associates for the record?

Mr. BRADFORD. Yes, sir; I would like to introduce my deputy, Mr. William J. Sheehan, and an associate, Mr. Thomas P. Ruane, both from my office.

The CHAIRMAN. Thank you very much, sir. You may proceed.

TESTIMONY OF DONALD F. BRADFORD, DIRECTOR, OFFICE OF ECONOMIC ADJUSTMENT, DEPARTMENT OF DEFENSE; ACCOMPANIED BY WILLIAM J. SHEEHAN, DEPUTY DIRECTOR, AND THOMAS P. RUANE, STAFF ASSOCIATE

Mr. BRADFORD. Mr. Chairman, I am pleased to appear before you today to discuss the Department of Defense economic adjustment program. I will cover briefly its philosophy, its approach, some of its techniques, and a few of its experiences as they relate to rural America.

We have been in business for 10 years with the sole mission of alleviating adverse economic impacts caused by changes in DOD programs. During that time we have assisted over 100 communities in 40 States. My staff consists as you noted of seven professionals. We have no program moneys, but we have been able to draw on available Federal resources through the operation of a team consisting of various

Federal agencies. This ability has been strengthened through President Nixon's commitment to bring the resources of the Federal Government to bear on the alleviation of economic difficulties caused by necessary defense realignments. He also stated that the support of the State and local governments and the private sector should be enlisted. In order to accomplish this task, he directed the formation of the Inter-Agency Economic Adjustment Committee on March 4, 1970. Since then, the committee, which is comprised of all Cabinet Departments excepting Justice, Treasury, and State, and which is under the chairmanship of the Secretary of Defense, has worked with the Office of Economic Adjustment in 22 communities in 17 States.

We have been active in three types of impact situations: Military base closures, personnel reductions, and contract cutbacks. Historically, these have been related to cost-reduction programs and changes in weapons technology. More recently they have been related to the transition from war to peace and the restructuring of national priorities.

Our philosophy is simple—it is to help communities help themselves. Accordingly, we are oriented to the public sector. We work with the communities that have been impacted. Our major thrust is job generation through community development. We act as a catalytic agent.

The economic adjustment program is unique in many respects. First, it has a Presidential mandate and support from the highest levels of the executive branch of Government. This has resulted in a coordinated Federal team approach that has been effective. Within the Department of Defense, each Secretary of Defense over the years has had a personal interest in seeing to it that the relatively few people impacted because of necessary national reasons do not bear the sole burden of the decisions. Secretary Laird personally chairs each meeting of the Inter-Agency Economic Adjustment Committee, and Secretary Shillito has traveled to selected communities to make known the President's concern with these problems, and to assure himself of an understanding of the impact problems.

The program has also received the full support of Members of the Congress in each of the locations where it has been involved. Just as it has sought to enlist the leadership elements in Washington, so it has involved the leadership at the State and local levels. Most of this involvement has been at the local level because that is where the problems exist and the potentials for solution lie.

Community leadership then is key to a successful economic adjustment program, and that leadership must be commensurate with the level of support outlined above. From the outset concentration is placed on enlisting the support of those affected. We accept the realities as we find them. No attempt is made to substitute an outside leadership group. Rather, insistence is on the local involvement of those who would benefit from the development of a recovery program. This group must include business and financial leaders as well as public officials from the area. Without the injection of private sector resources—brains, time, money—development incentive is incomplete.

The program has always stressed that payroll generation is something that cannot stop at arbitrary political boundaries. Accordingly, it has always taken an area approach. This has resulted in greater

strength emanating from multijurisdictional consortiums, with a viable unit—usually the population center or area leadership—providing the central capability to carry out the programs. In many instances, several communities have banded together in an area organization to overcome certain handicaps they had in conducting effective economic development programs. Delineation of the area boundaries to the dimensions of the problem is a must. Too large or too small a circle destroys motivation and feasibility.

A successful economic adjustment program is a set of workable specifics—it cannot progress in an atmosphere of generalities. Obviously, if you retreat to generalities, you don't have an answer or even an approach, and this becomes apparent to the local leadership, with consequent lack of confidence and discouraging progress. It is not easy to develop specifics, but if you don't, you are in real trouble. This calls for a lot of homework. The information to perform effectively such homework is gathered both prior to and during visits to impacted communities. In fact, a recovery program usually is initiated by a visit of the Federal team to the impacted community. On that score, we have probably traveled from 2 to 3 million miles, because that is where the action is; it is out there; it is not here.

This visit is made in response to a request from the leadership of the impacted community or their congressional delegation and represents the first sign of a community's disposition for adjustment.

The community visit serves the purpose of raising the curtain that sometimes camouflages both Federal and local assets. It is an opportunity for Federal leaders to explain their resources in the context of their applicability to the community situation and also an occasion for community leaders to determine what voids can be filled by Federal assistance. This mutual exchange educates all participants about the complexities that characterize each specific community development effort. This interchange is primarily through working sessions that usually follow field tours of the affected communities.

The Federal team conducts these working sessions with local leaders in an effort to elicit and organize a set of proposals and concepts related to promoting the economic development of the area. The power and value of this technique is contingent upon creating a problem solving group diverse enough in substantive experience and style to assure the generation of a wide spectrum of proposals.

This process culminates in the creation of a development strategy by the Office of Economic Adjustment. The development strategy is distinctive in that it is always geared to national objectives. Since many national objectives are growth objectives, the linking of local area needs to such goals then assures economic viability and long-term perspective for the programs. In many instances where Federal property is involved, it also insures the preservation of national interests; for example, the creation of public airports at former SAC bases so that national air transportation needs are assured. The existence of a well-defined development strategy conserves effort at the local, State, and Federal levels, concentrates development resources on projects that are mutually reinforcing, and insures that efforts will be expended on feasible projects.

An indispensable ingredient of the development strategy is the "package approach." When a strategy is created to solve a problem, it requires flexibility, "overview" and discretionary authority by agencies having statutory responsibilities.

Unique elements of the package plan have often been the creation of technical institutes and/or vocational-technical schools. These are excellent job generators in themselves through their faculty, staff, maintenance, and administrative employees; but the key aspect is their role in meeting skilled manpower needs of existing and prospective industries. The curriculum of such institutions must be packaged or put in tandem with the industrial objectives.

Industrial objectives are defined in what are known as industrial development profiles prepared by my office. The profile evaluates the current industrial development program, recommends an industrial development strategy, targets industries for solicitation, and suggests the industrial skill training programs needed to revitalize the area's economy. This analysis is based on the economic activities and locational factors of the impacted community in both its regional and national aspects. When necessary the profile is augmented by the preparation of an industrial district plan which complements the profile by suggesting the optimum locations for the firms suggested in the profile, and provides guidance on land use planning, development controls and suggested use of land and buildings—often excess Defense property. In short, the former report tells the community what kinds of industries to go after; the latter tells them where to put them.

The recovery program also consists of other forms of assistance such as feasibility and planning studies, business development loans, manpower training programs, recreation and tourism development projects, property disposal and acquisition guidance, and educational planning and action programs. In toto, such aid provides the infrastructure for development in the impacted areas.

In the belief that it will be helpful to the committee, I would like to discuss a few actual cases of the economic adjustment program in rural America. To show the beginnings of the principles we have enumerated, I will talk about the Crane, Ind. area; Wilmington, Ohio; and McAlester, Okla. To show the results of the program I will talk about Neosho, Mo.; Salina, Kans.; Hastings, Nebr.; Greenville, S.C.; Bangor, Maine; and Lincoln, Nebr. Because each is a complex situation which would require considerable time and space to detail, our discussion will be brief, except for Lincoln, where greater delineation will show the scope and extent of resource application.

CRANE, IND.

Actual and anticipated reductions at the Crane Naval Ammunition Depot have stimulated an economic adjustment program for a four-county area of impact in southern Indiana. A center for economic development is the major thrust of this program. The center will provide an on-going technical assistance effort to this area through the employment of a professional, full-time staff working on the development of the area's recreation, education, industrial, and community resources. The specifics of the center have been defined by local and State officials, the Federal team and a nearby university.

WILMINGTON, OHIO

The March 1971 announced closure of Clinton County Air Force Base resulted in discussions with local officials this month about a recovery program for the area. Organization and ground rules have received priority attention, and the beginning of a development strategy utilizing the base is under consideration by community leaders. At first look, potential appears to lie in the formation of a transportation center, combining truck and air cargo handling and service. To this would be added a technical school and an industrial park. The planning phase is now underway to determine development requirements, agency participation, and basic feasibility.

M'ALESTER, OKLA.

Another instance of cutbacks resulting from the transition from war to peace is the layoff problem at the naval ammunition depot in this rural community. Two Federal team visits have taken place, and the elements of a development strategy are nearing resolution. Major emphasis is being placed on an area versus a local approach to recreation technology, industry and in-town development for area services. Aerial photography, curriculum design, and feasibility studies of industrial sites are in process. A third visit is planned in the near future to concentrate on industrial potentials.

Now as to some actual results.

NEOSHIO, MO.

This 8,000-man community lost 1,200 jobs in 1968 when the Government-owned, company-operated facility changed hands. A development strategy was prepared that focused primarily on industrial development. Specific components of the strategy included: (1) Creation of an industrial park, (2) accelerated industrial solicitation effort, (3) utilization of the manpower reservoir of machinists and machine operators, and (4) acquisition and development of needed community facilities to service occupants of the proposed industrial park.

In concert with local leaders, area businessmen, and various Federal agencies, the Office of Economic Adjustment prepared both an industrial development profile and an industrial district plan to guide area leaders on implementation of the strategy. Using these guides and taking full advantage of local resources, the community raised industrial employment from 606 jobs in 1968 to 1,836 in 1971. The private sector, represented by a local publisher, bankers, and members of the chamber of commerce, continues to maximize the development strategy offered in 1969 and expects employment at the industrial park to increase by another 1,600 jobs in the near future.

SALINA, KANS.

A diverse and multiuse adjustment program resulted from the closure of Schilling Air Force Base. Educational, industrial, aviation, and human resource elements were the key areas of concentration. This package approach resulted in—

The establishment of an area vocational technical school, which covers the ninth to the 12th grades;

The creation of a technical institute, which is the first 2 years of college;

The start of a vocational technical rehabilitation center;

A waiting wives program (base housing utilized by families of Defense personnel overseas) with a current participation of 2,900 occupants;

Generation of 1,975 jobs onbase as of 1969; and

Conduct of major commercial airline training.

This economic adjustment program was unique in that it represented a decision by the local leadership, and they were terrific, to make a major turn in their community goals.

HASTINGS, NEBRASKA

Within an educational-industrial-public sector strategy, the major thrust was the establishment of the Central Nebraska Technical College. Using surplus depot property, 17 counties taxed themselves with a 1-mill levy to create the school. In 1966 it opened with 196 full-time students and has grown to a 1970-71 enrollment of 1,250 full-time and 650 part-time students. Benefits include—

Out-migration of the young has eased—87 percent of the graduates are staying in the area; 96 percent are employed in Nebraska; 94 percent obtain immediate employment;

Fifteen hundred new industrial jobs have been created as a result of the college; and

The economic viability of the area has been strengthened and enhanced.

GREENVILLE, S.C.

The economic adjustment effort to offset the job loss created by the closure of Donaldson Air Force Base was primarily focused on industrial development. Local businessmen and city-county officials took the lead role in the industrial development effort, which has led to—

Generation of 2,745 jobs on the former facility as of 1969;

Attraction of 84 industries/businesses which now occupy space at the former base;

Over \$300,000 per year rental and utility income to the area;

Tax revenues for 1970 to the county of over \$100,000; and

Planned construction of a million-dollar county vocational school in 1970.

The above benefits do not include the overall increase in county employment or the agglomerative effect of interacting industries, that are vertically and horizontally related to basic producers of chemicals, electronic systems, machinery and other industrial enterprises. These include many small firms functioning as vendors in direct support of major national firms located on and off the base.

BANGOR, MAINE

A multiuse development strategy was formulated following the closure of the Dow Air Force Base. It consisted of educational, industrial, and aviation elements in a "package" approach. The following

economic benefits have accrued to the area economy as a result of this strategy—

- Creation of an international airport used as a refueling and customs processing port-of-entry by American- and foreign-flag carriers. Airport activities now provide 610 full-time and 63 part-time jobs over those existing prior to closure;

- Establishment of a University of Maine campus on the former facility with 566 students and 86 staff, which are projected to grow to 800 and 112 respectively by September 1971;

- Growth of off-base employment has been minor but there has been some in the form of 100 jobs and 17 industries or services;

- Preservation of defense needs in aviation as 515 persons are engaged in National Guard and Aerospace Defense Command activities; and

- Upgrading of housing and hospital needs of the area.

LINCOLN, NEBR.

As noted above, we are presenting the Lincoln picture in some detail to provide the committee with the scope of effort and range of resource application for a fuller understanding of the economic adjustment program. Any of the briefer descriptions could be so presented, but because of the ramifications of the Lincoln story for rural potential, the specifics of this adjustment are given in some depth:

The roles played by the Federal team, State and local governments, and the private sector in conversion of Lincoln Air Force Base were impressive. The Federal Aviation Administration certified the airport package; the General Services Administration sold the industrial property and the military family housing; the Department of Housing and Urban Development updated the city's comprehensive planning program and capital funding program; the Department of Health, Education, and Welfare provided planning assistance and financing for educational projects. That financing, incidentally, was \$300,000. The city of Lincoln supported the development strategy through its airport authority and public school system; the University of Nebraska provided technical assistance in the educational concepts and participated in Edutek, the organizational vehicle charged with developing a center for educational technology; the State of Nebraska, County of Lancaster completed planning and engineering work on a new entrance and access road. That was \$1,200,000. Private business including bankers and chamber of commerce personnel undertook industrial development and provided financial and management assistance to Edutek; the Lincoln Housing Authority managed the protection and maintenance contract on the housing and ultimately acquired it. The Department of Defense:

- Provided the development strategy;

- Assembled the equipment package for airport and Air National Guard use;

- Prepared an industrial development profile and an industrial district plan for development of the air base;

- Developed a protection and maintenance contract concept to maintain base family housing pending recovery of the local housing market and acquisition of 1,000 units; and

Provided day-to-day coordination and constant communication between all participants, including the congressional delegation, over the 4-year period.

The thrust of the development strategy was to create a center for educational technology to provide a potential solution to the rural educational problems of the Plains and Mountain States. This complex would include the center, a teacher training institute and a technical institute for demonstrating the new techniques created, as well as providing the training of skills for industry. The industrial strategy was to attract the high technology firms producing the sophisticated hardware associated with new learning processes—i.e., computers, visual aids, et cetera. Other aspects of the strategy were aviation development and concentration on attracting national and broad regionally oriented firms.

Results to date are the creation of 3,500 jobs off base since 1968, and an increase from 671 to 1,919 on base. This 1,919-man labor force has an annual payroll estimated at \$20 million.

This bare outline of the principles and techniques of economic adjustment leaves out the warm and intensely interesting interplay of human relationships. Yet it is the human attitudes and reactions which really spell the difference between success and failure in an economic recovery program. A community on the move often has no more intangible assets and expectations than a community stagnating in an atmosphere of defeatism—except the “can do” attitude of its people.

The story of economic adjustment is the story of a no-nonsense effort by men of good will in a position to do something about it, at all levels of government, finance, and business. It is total commitment of leadership, overview rather than parochialism; sweat; hardnosed assessment of alternative courses of action; aggressive argument among friends; interminable detail and constant followthrough; and a conviction that good people, acting in the worthwhile cause of overcoming disaster, can accomplish just about anything.

The CHAIRMAN. Thank you very much, Mr. Bradford. You have given us a very fine and thorough report on the activities of your agency; what you have been able to accomplish where military establishments have had to close or reduce their force for various reasons. And, obviously, you have had, I would say, rather marked success based on the statement you have made to us.

Mr. BRADFORD. We have a couple of setbacks.

The CHAIRMAN. Well, I am sure in all endeavors there is success by degrees and sometimes failure, or at least temporary failure. But overall, it appears that you have had very fine success in this agency and this program.

Mr. BRADFORD. Yes, sir.

The CHAIRMAN. Now, are you familiar with S. 10?

Mr. BRADFORD. I have read it, sir; but the Department of Defense has not taken an official position on it, so I cannot speak for the Defense Department.

The CHAIRMAN. I am not asking you to speak officially. Do you think there is need—I will put it that way first—do you think there is need for some kind of a national policy to arrest and reverse the

trend of migration from the rural areas into the great metropolitan centers?

Mr. BRADFORD. Personally, I do; yes, sir.

The CHAIRMAN. Can that trend be reversed by a concentration on programs or a policy that would implement the desire to bring jobs to the people where they are in rural areas rather than have these people go into concentrated, heavily overcrowded cities, trying to find jobs? Do you think such a program has a need and a potential, a real potential, of service?

Mr. BRADFORD. Well, based on the experience of our programs, we think that there are opportunities in these several communities, sir, to do this.

The CHAIRMAN. Well, unless it is done—I do not know whether you have given any thought to this—unless something like this is done, what do you foresee about aggravating and increasing chaotic conditions in the metropolitan centers?

Mr. BRADFORD. I think there are some opportunities in the urban area, too, sir, but I agree that there is tremendous concentration, there are tremendous problems in the urban areas.

The CHAIRMAN. You know the problem, then?

Mr. BRADFORD. Yes, sir.

The CHAIRMAN. And you have found by your experience in dealing with these areas where Government facilities are closing down and operations discontinued, that these communities can be revitalized by getting industry in there?

Mr. BRADFORD. Absolutely and the whole key on this, I think, is leadership and dedication and getting with it.

The CHAIRMAN. Well, now, have you encountered problems in local communities where you had a big plant that was closing down, in other words, where the community had such facilities already?

Mr. BRADFORD. Yes, sir.

The CHAIRMAN. In those instances it wasn't necessary for you to help the local community provide facilities needed to support industry?

Mr. BRADFORD. In most cases, that is correct. In other cases, though, we have not had any property to work with and the same techniques have worked, the same approach.

The CHAIRMAN. Did you in some areas have to have grants-in-aid from agencies of the Federal Government to assist the local communities in meeting their requirements?

Mr. BRADFORD. Yes, sir; but in the field of money, in most cases, it was the local banking industry working through their correspondent banks that came up with the money.

The CHAIRMAN. Where you have had a great big Federal facility, you have a pretty big community to begin with, is that true?

Mr. BRADFORD. I was thinking about this citation of Neosho, Mo. There was no property there in the industrial park that they got these jobs in. The money for that came from the private banking source.

Now, the Federal Government did help in that the water and sewer system came from—

The CHAIRMAN. That is what I am talking about—public facilities that are required.

Mr. BRADFORD. Yes, sir; it is a combination.

The CHAIRMAN. That is primarily what this bill is directed to—already established grants-in-aid programs to give some priority, some preferences where industry says it is willing to go and locate in a community and where the community itself does not have the financial resources to enable it to construct the facilities to accommodate that industry and the people who are going to work there. What we are trying to do here is establish a national policy and make certain that where that situation develops and where it exists, the Federal Government will step in with its already existing grant-in-aid program to help that community meet its requirements so that industry may be accommodated and thus locate there.

Do you see anything wrong with that philosophy and that approach?

Mr. BRADFORD. Again, sir, I think I would have a hard time divorcing myself from being a defense witness, which I am not, on the bill itself.

The CHAIRMAN. I see. Very well.

Senator Percy, any questions?

Senator PERCY. Yes, just one question, Mr. Bradford. Do you operate now on the program that you are carrying out under law, or is it under directives of the Secretary of Defense?

Mr. BRADFORD. I operate under directive from the Secretary of Defense and a mandate from the President.

Senator PERCY. Right. All of which is adequate authority for you.

Mr. BRADFORD. Yes, sir.

Senator PERCY. But of course, it is then subject to changes of administration and it is subject to changes in emphasis also, depending upon the particular inclination of the President and the Secretary and his own interests. I think we are fortunate to have a President and a Secretary of Defense as devoted to this subject, and you certainly could not have stronger and more powerful backing than you have. Our job is to see that if it is a good thing, and you have had a 10-year test of it, whether or not it would not be advisable to take the body of experience that you have developed and put this into law so that it would be a consistent policy followed by the country.

Mr. BRADFORD. Yes, sir.

Senator PERCY. And a fair question to put to you, based on your personal judgment and as an individual who has had more experience with this program than anyone else, would you personally feel that it would be desirable now that it has been seen through several Presidents and several administrations, to find a way to embody this principle and policy in the law so that we know that it would be uniform in its application, unless repealed by the Congress?

Mr. BRADFORD. Sir, I think a coordinated approach on a national issue is very helpful.

Senator PERCY. Fine.

May I ask a parochial question? Have you ever had any dealings in Illinois? Some of our unemployment does not compare with the unemployment in certain other areas of the country, but we do have some depressed areas and we do have some counties where 25 percent of the people are on welfare. Have you had any experience in the State now in dealing with this?

MR. BRADFORD. No, sir; we are just beginning on Forest Park, because our work is limited to the defense impact. Of course, these selections, though they have been on a rural basis, were in the metropolitan areas as well.

Senator PERCY. Mr. Chairman, I think that the comment made by Mr. Bradford is extremely important as it relates to S. 10. I indicated that he has been operating under a policy of the President of the United States and the Secretary of Defense, but there is no law and no authority for what he is doing. He has concurred, based on his own experience, that now that we have developed this as a policy, tested and tried, it is in the national interest that rather than leave it subject to deemphasis or reemphasis by varying administrations, it ought to be embodied in the law so that it would only be subject, then, to the change of that law by Congress. I am very grateful for his very positive assertion that we are in the right direction in saying that this is so important to the country now that it ought to be embraced in law.

Thank you very much, Mr. Bradford.

The CHAIRMAN. Thank you, Mr. Bradford.

I am going to insert in the record at this point, without objection, an article that appeared in the Guardian, a Catholic publication, in Arkansas, on April 16, 1971. The title of it is "Adopting NCRLC Policy," which is the National Catholic Rural Life Conference policy. The other headline is "Texas Begins Urging City Dwellers to Move to Country."

The concluding paragraph of the article says:

Now the State of Texas is officially encouraging migration out of the cities to the countryside—it is officially helping develop small towns and villages. They call it the "Texas Communities Tomorrow." State officials compiled a catalog of Government agencies which can help local officials solve community problems.

(The article referred to follows:)

EXHIBIT 9

[Article, *The Guardian*, Apr. 16, 1971]

(The Catholic Newspaper for Arkansas)

ADOPTING N.C.R.L.C. POLICY—TEXAS BEGINS URGING CITY DWELLERS TO MOVE TO COUNTRY

(By Dana C. Jennings, National Catholic Rural Life Conference)

At least one state is officially picking up NCRLC's back-to-the-country idea. The Rural Life Conference has long advocated moving part of congested urban populations back into the countryside. The rationale goes like this: City overpopulation is causing serious problems of congestion, traffic snarls, pollution, crime, and environments unhealthful physically, psychologically, morally. Many rural communities have been stripped of their populations as unjust economic forces impoverish farm families and drive them, at the point of a mortgage, into the already-overcrowded cities.

NCRLC has for years pointed out that both city and countryside will benefit from re-distribution of people.

Obviously, not everybody can go back to the farm. On the other hand, surveys among city people show that about half of them would prefer to live in the country or a small town if they could make a living there.

NCRLC has for 40 years urged "the little place in the country with a job in town" as the most healthful kind of life for many (certainly not all) families: healthful spiritually, physically, emotionally, financially—and, for the nation, healthful politically, too. The family with an acre or two has room to run and to breathe and relax. They have a hard-core foundation of a paycheck from a town job, and their acres can be made to reduce the family food bill via a garden, chickens, pigs, cow—even a fish pond. This resource helps the family ride out layoffs with minimum stress.

Now the state of Texas is officially encouraging migration out of the cities to the countryside—it is officially helping develop small towns and villages. They call it the "Texas Communities Tomorrow." State officials compiled a catalog of government agencies which can help local officials solve community problems.

Other states should do in like manner.

The CHAIRMAN. What we are trying to do is establish a national policy to do just that. It is fine that the States take the lead, too. But we do know that in many instances to provide the utilities and the facilities necessary will also necessitate the Federal Government's help.

Thank you again very much. I congratulate you upon the success you have had with your program.

Mr. BRADFORD. Thank you very much, Senator.

The CHAIRMAN. The committee will stand in recess subject to call.

(Whereupon, at 12:15 p.m., the committee was adjourned subject to the call of the Chair.)

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